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## NEWS RELEASE

# LUNDIN MINING SECOND QUARTER RESULTS

**Toronto, July 30, 2014 (TSX: LUN; OMX: LUMI) Lundin Mining Corporation** ("Lundin Mining" or the "Company") today reported net earnings of \$39.7 million (\$0.07 per share) for the quarter ended June 30, 2014. Cash flows of \$33.7 million were generated from operations in the quarter, not including the Company's attributable cash flows from Tenke Fungurume.

Paul Conibear, President and CEO commented, *"We are pleased with our improvements in operating performance during this last quarter and we remain very well positioned to deliver another year of strong operating results from all our mines, with production and costs as expected or in some cases better than original guidance."*

*As announced on July 16th, we are very excited with the construction progress at the Eagle Mine, with the delivery of first ore to the mill achieved earlier in the month. The Eagle Mine is expected to be in production in early Q4, and that combined with excellent nickel, copper and zinc price environments is expected to generate strong cash flows from all of our mines as the year advances."*

### **Summary financial results for the quarter and year-to-date:**

US\$ Millions (except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Sales	191.8	176.3	341.7	364.4
Operating earnings <sup>1</sup>	74.2	49.2	117.3	117.2
<b>Net earnings</b>	<b>39.7</b>	16.6	<b>53.1</b>	66.6
Basic earnings per share	0.07	0.03	0.09	0.11
Cash flow from operations	33.7	26.6	61.2	72.4
Ending net (debt) / cash position <sup>2</sup>	(174.4)	221.1	(174.4)	221.1

<sup>1</sup> Operating earnings is a non-GAAP measure defined as sales, less operating costs (excluding depreciation) and general and administrative costs.

<sup>2</sup> Net cash/debt is a non-GAAP measure defined as cash, less long-term debt and finance leases, before deferred financing fees.

## Highlights

### Operational Performance

**Wholly-owned operations:** Nickel and lead production exceeded expectations, while copper and zinc production were in-line with targeted production for the quarter. Higher throughput at Aguablanca resulted in better than expected nickel and copper production, while higher lead grades and throughput at Zinkgruvan resulted in higher lead production. Copper, nickel and lead production guidance has been increased reflecting excellent mine production at Aguablanca, higher throughput at Zinkgruvan and better than expected lead grades from the Lombador ore body at Neves-Corvo.

- Neves-Corvo produced 13,480 tonnes of copper and 17,909 tonnes of zinc in the second quarter of 2014. Production from the Lombador ore body resulted in a 28% increase in zinc production over the prior year comparable period. Higher copper head grades were more than offset by lower metallurgical recoveries and ore throughput, resulting in lower copper production compared with the second quarter of 2013, but in-line with our mine plan for 2014. Copper cash costs<sup>1</sup> of \$1.62/lb for the quarter were lower than original guidance (\$1.90/lb) due primarily to higher than expected zinc and lead by-product credits, net of treatment charges.
- Zinc production of 19,293 tonnes at Zinkgruvan met expectations and was slightly higher than the comparable period in 2013 due to record mine production and mill throughput of zinc ore. Lead production of 9,196 tonnes exceeded expectations but was below the comparable period in 2013 primarily due to lower head grades. Cash costs for zinc of \$0.17/lb were lower than guidance (\$0.35/lb) in part due to higher lead by-product credits.
- Aguablanca had another strong quarter of operational performance, with current quarter production of 2,212 tonnes of nickel and 1,799 tonnes of copper. This exceeded both expectations for the second quarter of 2014 and production levels of the prior year comparable period. Cash costs of \$5.05/lb of nickel for the quarter, though higher than original guidance, remain in-line with our mine plan.

**Tenke:** Tenke operations continue to perform well.

- Lundin's attributable share of second quarter production included 12,449 tonnes of copper cathode and 820 tonnes of cobalt in hydroxide. The Company's attributable share of Tenke's sales included 12,810 tonnes of copper at an average realized price of \$3.08/lb and 734 tonnes of cobalt at an average realized price of \$9.58/lb.
- Attributable operating cash flow from Tenke for the second quarter of 2014 was \$37.8 million (\$65.5 million year-to-date). Cash distributions received by Lundin Mining in the quarter were \$22.6 million (\$39.3 million year-to-date), lower than expected due to timing of shipments and lower copper price.
- Operating cash costs for the second quarter of 2014 were \$1.18/lb of copper sold, better than the original full year guidance of \$1.22/lb.
- The Company is also pleased to announce that it has filed an independent technical report for its Tenke Fungurume Mine entitled "Technical Report – Resource and Reserve Update for the Tenke Fungurume Mine, Katanga Province, Democratic Republic of Congo" authored by John Nilsson, P.Eng. and Ron Simpson, P.Geo. and dated effective as of July 21, 2014.

<sup>1</sup> Cash cost/lb of copper, zinc and nickel are non-GAAP measures defined as all cash costs directly attributable to mining operating, less royalties and by-product credits.

**Eagle Nickel/Copper Project:** advancing on time and on budget.

- Mine surface construction is complete, and there are approximately 500 people currently working at the mill, including contractors. All of the major equipment has been installed. As of June 30, 2014, mill construction was progressing as planned at 90% completion.
- Capital costs are on budget, expecting to come in at the original forecast of \$400 million from the date of acquisition. \$225 million has been spent since that time, of which \$65 million was spent in the second quarter of 2014.
- County road upgrade work re-started in May and is on track to be completed as planned.
- Operations and maintenance hiring is complete and training is underway.
- Mine development in ore has begun and mill commissioning is expected to start in the third quarter of 2014. Eagle is on track to ship first saleable copper and nickel concentrates in the fourth quarter of 2014. Ore processing and concentrate production are expected to reach full design rates in the second quarter of 2015.

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

(tonnes)	YTD	2014	Q1	2013				
		Q2		Total	Q4	Q3	Q2	Q1
Copper	31,582	16,182	15,400	66,246	18,078	15,087	16,065	17,016
Zinc	70,669	37,202	33,467	124,748	32,796	33,466	32,539	25,947
Lead	20,188	10,250	9,938	34,370	7,968	9,119	10,692	6,591
Nickel	4,192	2,212	1,980	7,574	2,113	1,788	1,876	1,797
<i>Tenke attributable</i>								
Copper	24,320	12,449	11,871	50,346	12,155	11,890	13,230	13,071

**Financial Performance**

- Operating earnings for the second quarter of 2014 were \$74.2 million, an increase of \$25.0 million from the \$49.2 million reported in the comparable quarter of 2013. The increase was largely attributable to higher net realized metal prices and prior period price adjustments (\$33.4 million), partially offset by lower sales volume (\$10.8 million).

On a year-to-date basis, operating earnings of \$117.3 million were consistent with the \$117.2 million reported for the first six months of 2013. Lower production costs (\$22.2 million) were offset by lower sales volumes (\$24.4 million).

- For the quarter ended June 30, 2014, sales of \$191.8 million increased \$15.5 million over the prior year quarter (\$176.3 million) as a result of higher net realized metal prices and prior period price adjustments (\$33.4 million), partially offset by lower net sales volumes (\$13.4 million), primarily at Neves-Corvo.

Sales of \$341.7 million for the six months ended June 30, 2014 were \$22.7 million lower than the comparable period in 2013 (\$364.4 million) due to lower net sales volumes (\$33.5 million), primarily at Neves-Corvo, partially offset by higher net realized metal prices and prior period price adjustments (\$17.5 million).

- Average metal prices for zinc, lead and nickel for the three months ended June 30, 2014 were higher (2% - 23%) than the same period in the prior year, while copper prices declined slightly from the prior year comparable period (5%).

Average metal prices for zinc and nickel for the six months ended June 30, 2014 were higher (2% - 6%) than the same period in the prior year, while copper and lead prices declined from the prior year comparable period (4% - 8%).

- Operating costs (excluding depreciation) of \$111.0 million in the current quarter were \$11.6 million lower than the prior year comparative quarter of \$122.6 million due to the closure of our Galmoy operation and lower sales volumes at Neves-Corvo.

Operating costs (excluding depreciation) of \$211.2 million year-to-date were \$24.9 million lower than the prior year of \$236.1 million due to the closure of our Galmoy operation and lower sales volumes at Neves-Corvo and Aguablanca, partially offset by higher sales volumes at Zinkgruvan.

- Net earnings of \$39.7 million (\$0.07 per share) for the three months ended June 30, 2014 were \$23.1 million higher than the \$16.6 million (\$0.03 per share) reported in the comparable quarter in 2013. Net earnings were positively impacted by higher operating earnings (\$25.0 million) largely due to higher net realized metal prices and prior period price adjustments.

Net earnings of \$53.1 million (\$0.09 per share) year-to-date were \$13.5 million lower than the \$66.6 million (\$0.11 per share) reported in 2013. In 2013, earnings benefited from \$15.1 million in insurance proceeds for business interruption at the Aguablanca mine and higher equity income from our investment in Tenke Fungurume (\$7.3 million) 2014, partially offset by higher foreign exchange losses (\$6.7 million).

- Cash flow from operations for the current quarter was \$33.7 million compared to \$26.6 million for the same period in 2013. The increase in the cash flow of \$7.1 million is mostly attributable to higher operating earnings, partially offset by changes in non-cash working capital.

For the six months ended June 30, 2014, cash flow from operations was \$61.2 million compared to \$72.4 million for the same period in 2013. Change in non-cash working capital was the primary contributor to the decrease.

## Corporate Highlights

- On July 16, 2014, the Company provided an update on the final stages of construction and commencement of mine operations at the high grade Eagle nickel-copper project, as well as an exploration update on the adjacent Eagle East nickel-copper deposit, located in the Upper Peninsula of Michigan, USA. The project reached a key milestone, delivering its first ore from mine to mill for plant commissioning. Since then, testing of crushing, conveying and grinding circuits has started under no-load conditions in preparation for introduction of feed for full system commissioning in the month ahead. With these achievements the project remains well on schedule for first concentrate production early in the fourth quarter of 2014. See press release entitled "Lundin Mining Announces First Ore Shipment at Eagle Mine", dated July 16, 2014.

## Financial Position and Financing

- Net debt position at June 30, 2014 was \$174.4 million compared to \$119.3 million at December 31, 2013 and \$155.0 million at March 31, 2014.
- The \$19.4 million increase in net debt during the quarter was attributable to investments in mineral properties, plant and equipment of \$99.3 million, primarily the development of the Eagle project, partially offset by operating cash flows of \$33.7 million, distributions from Tenke and Freeport Cobalt of \$22.6 million and \$7.2 million, respectively, and an \$11.7 million withdrawal from restricted funds.

For the six months ended June 30, 2014, net debt increased \$55.1 million due to investments in mineral properties, plant and equipment of \$191.7 million, primarily the development of the Eagle project, partially offset by operating cash flows of \$61.2 million, distributions from Tenke and Freeport Cobalt of \$39.3 million and \$7.2 million, respectively, and a \$22.5 million withdrawal from restricted funds.

- The Company has corporate term and revolving debt facilities available for borrowing up to \$600 million. At June 30, 2014 the Company had \$321.9 million committed against these facilities, leaving debt capacity of \$278.1 million available for future drawdowns.

## Outlook

### 2014 Production and Cost Guidance

- Production and cash costs guidance for 2014 for the Company's wholly-owned operations have been adjusted to reflect excellent production performance at Aguablanca and Zinkgruvan, and higher lead grades from our Lombador ore body at the Neves-Corvo mine.
- Guidance on Tenke's cash costs have been updated to reflect the most recent guidance provided by Freeport-McMoRan Inc. ("Freeport"). Tenke production guidance remains unchanged.

2014 Guidance (contained tonnes)		Prior Guidance Tonnes		C1 Cost	Revised Guidance Tonnes		C1 Cost <sup>a</sup>
<b>Copper</b>	Neves-Corvo	50,000 – 55,000		\$1.90/lb	50,000 – 55,000		\$1.85/lb
	Zinkgruvan	3,000 – 4,000			3,000 – 4,000		
	Aguablanca	5,000 – 6,000			<b>6,000 – 7,000</b>		
	Eagle	2,000 – 3,000			2,000 – 3,000		
	Wholly-owned Tenke (@24%) <sup>b</sup>	60,000 – 68,000	47,900	\$1.22/lb	<b>61,000 – 69,000</b>	47,900	<b>\$1.21/lb</b>
	Total attributable	107,900 – 115,900			<b>108,900 – 116,900</b>		
<b>Zinc</b>	Neves-Corvo	60,000 – 65,000			60,000 – 65,000		
	Zinkgruvan	75,000 – 80,000		\$0.35/lb	75,000 – 80,000		\$0.35/lb
	Total	135,000 – 145,000			135,000 – 145,000		
<b>Lead</b>	Neves-Corvo	2,000 – 2,500			<b>3,500 – 4,500</b>		
	Zinkgruvan	27,000 – 30,000			<b>29,000 – 32,000</b>		
	Total	29,000 – 32,500			<b>32,500 – 36,500</b>		
<b>Nickel</b>	Aguablanca	6,000 – 7,000		\$4.50/lb	<b>7,500 – 8,500</b>		<b>\$4.25/lb</b>
	Eagle	2,000 – 3,000			2,000 – 3,000		
	Total	8,000 – 10,000			<b>9,500 – 11,500</b>		

a. Cash costs remain dependent upon exchange rates (forecast at €/USD:1.35, USD/SEK:6.50) and metal prices (forecast at Cu: \$3.15/lb, Zn: \$0.90/lb, Pb: \$0.95/lb, Ni: \$7.50/lb, Co: \$13.00/lb). Prior guidance forecast Ni at \$6.50/lb and Co at \$12.00/lb.

b. Freeport has provided 2014 sales and cash costs guidance. Tenke's 2014 production is assumed to approximate sales guidance.

## 2014 Capital Expenditure Guidance

Capital expenditures for 2014 are expected to be \$440 million (including Eagle, but excluding Tenke), unchanged from previous guidance. Major capital investments for 2014 are as follows:

- **Sustaining capital in European operations** - \$100 million, consisting of approximately \$60 million for Neves-Corvo, \$35 million for Zinkgruvan and \$5 million across other sites.
- **Expansionary capital in European operations** - \$40 million, consisting of:
  - Lombador - \$25 million: For underground vertical and horizontal development and associated mine infrastructure related to the development of the upper Lombador ore bodies for future high grade zinc and copper production. Redesign and optimization of development has allowed for a combination of cost savings and the deferral of certain expenditures into 2015.
  - Neves-Corvo zinc plant debottlenecking and zinc expansion studies - \$5 million: For the installation of a zinc tailings recovery circuit, zinc expansion feasibility studies and Santa Barbara hoisting shaft capacity increase design work.
  - Aguablanca underground mining project - \$10 million: For ramp and initial ore body development and the installation of associated mine infrastructure.
- **New investment in Eagle project** - \$300 million, to complete construction of the Humboldt mill and Eagle mine.
- **New investment in Tenke** - \$50 million, estimated by the Company as its share of expansion related initiatives and sustaining capital funding for 2014. All of the capital expenditures are expected to be self-funded by cash flow from Tenke operations.

The Company believes it is reasonable to expect Lundin's attributable cash distributions from Tenke to be in the range of \$80 to \$100 million in 2014, potentially lower than previous guidance due to copper price uncertainty and higher working capital.

## 2014 Exploration Guidance

- Total exploration expenses for 2014 (excluding Tenke) are estimated to be \$35 million, consistent with prior guidance. These expenditures will be principally directed towards underground and surface mine exploration at Neves-Corvo, Zinkgruvan and Eagle, select greenfield exploration programs and new business development activities in South America and Eastern Europe.

## **About Lundin Mining**

Lundin Mining Corporation is a diversified Canadian base metals mining company with operations and development projects in Portugal, Sweden and Spain and the USA, producing copper, zinc, lead and nickel. In addition, Lundin Mining holds a 24% equity stake in the world-class Tenke Fungurume copper/cobalt mine in the Democratic Republic of Congo and in the Freeport Cobalt Oy business, which includes a cobalt refinery located in Kokkola, Finland.

On Behalf of the Board,

Paul Conibear  
President and CEO

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Robert Eriksson, Investor Relations Sweden: +46 8 545 015 50

## **Forward Looking Statements**

*Certain of the statements made and information contained herein is "forward-looking information" within the meaning of the Ontario Securities Act. This report includes, but is not limited to, forward looking statements with respect to the Company's estimated full year metal production, cash costs, exploration expenditures, and capital expenditures, as noted in the Outlook section and elsewhere in this document. These estimates and other forward-looking statements are based on a number of assumptions and 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 the estimated cash costs, timing and amount of production from the Eagle project, cost estimates for the Eagle project, 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; litigation risks; and other risks and uncertainties, including those described in the Risk and Uncertainties section of the Company's Annual Information Form and in each Management's Discussion and Analysis. Forward-looking information may also be based on other 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 the forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.*

# lundin mining

## Management's Discussion and Analysis For the three and six months ended June 30, 2014

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This management's discussion and analysis ("MD&A") has been prepared as of July 30, 2014 and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and six months ended June 30, 2014. Those financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Company's presentation currency is United States ("US") dollars. Reference herein of \$ is to United States dollars, C\$ is to Canadian dollars, SEK is to Swedish krona and € refers to the Euro.

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## Highlights

### Operational Performance

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<sup>1</sup> Operating earnings is a non-GAAP measure – see page 28 of this MD&A for discussion of non-GAAP measures.

- Net earnings of \$39.7 million (\$0.07 per share) for the three months ended June 30, 2014 were \$23.1 million higher than the \$16.6 million (\$0.03 per share) reported in the comparable quarter in 2013. Net earnings were positively impacted by higher operating earnings (\$25.0 million) largely due to higher net realized metal prices and prior period price adjustments.

Net earnings of \$53.1 million (\$0.09 per share) year-to-date were \$13.5 million lower than the \$66.6 million (\$0.11 per share) reported in 2013. In 2013, earnings benefited from \$15.1 million in insurance proceeds for business interruption at the Aguablanca mine and higher equity income from our investment in Tenke Fungurume (\$7.3 million) 2014, partially offset by higher foreign exchange losses (\$6.7 million).

- Cash flow from operations for the current quarter was \$33.7 million compared to \$26.6 million for the same period in 2013. The increase in the cash flow of \$7.1 million is mostly attributable to higher operating earnings, partially offset by changes in non-cash working capital.

For the six months ended June 30, 2014, cash flow from operations was \$61.2 million compared to \$72.4 million for the same period in 2013. Change in non-cash working capital was the primary contributor to the decrease.

### Corporate Highlights

- On July 16, 2014, the Company provided an update on the final stages of construction and commencement of mine operations at the high grade Eagle nickel-copper project, as well as an exploration update on the adjacent Eagle East nickel-copper deposit, located in the Upper Peninsula of Michigan, USA. The project reached a key milestone, delivering its first ore from mine to mill for plant commissioning. Since then, testing of crushing, conveying and grinding circuits has started under no-load conditions in preparation for introduction of feed for full system commissioning in the month ahead. With these achievements the project remains well on schedule for first concentrate production early in the fourth quarter of 2014. See press release entitled "Lundin Mining Announces First Ore Shipment at Eagle Mine", dated July 16, 2014.

### Financial Position and Financing

- Net debt<sup>1</sup> position at June 30, 2014 was \$174.4 million compared to \$119.3 million at December 31, 2013 and \$155.0 million at March 31, 2014.
- The \$19.4 million increase in net debt during the quarter was attributable to investments in mineral properties, plant and equipment of \$99.3 million, primarily the development of the Eagle project, partially offset by operating cash flows of \$33.7 million, distributions from Tenke and Freeport Cobalt of \$22.6 million and \$7.2 million, respectively, and an \$11.7 million withdrawal from restricted funds.

For the six months ended June 30, 2014, net debt increased \$55.1 million due to investments in mineral properties, plant and equipment of \$191.7 million, primarily the development of the Eagle project, partially offset by operating cash flows of \$61.2 million, distributions from Tenke and Freeport Cobalt of \$39.3 million and \$7.2 million, respectively, and a \$22.5 million withdrawal from restricted funds.

- The Company has corporate term and revolving debt facilities available for borrowing up to \$600 million. At June 30, 2014 the Company had \$321.9 million committed against these facilities, leaving debt capacity of \$278.1 million available for future drawdowns.

<sup>1</sup> Net cash/debt is a non-GAAP measure – see page 28 of this MD&A for discussion of non-GAAP measures.

## Outlook

### 2014 Production and Cost Guidance

- Production and cash costs guidance for 2014 for the Company's wholly-owned operations have been adjusted to reflect excellent production performance at Aguablanca and Zinkgruvan, and higher lead grades from our Lombador ore body at the Neves-Corvo mine.
- Guidance on Tenke's cash costs have been updated to reflect the most recent guidance provided by Freeport-McMoRan Inc. ("Freeport"). Tenke production guidance remains unchanged.

2014 Guidance (contained tonnes)		Prior Guidance Tonnes	C1 Cost	Revised Guidance Tonnes	C1 Cost <sup>a</sup>
<b>Copper</b>	Neves-Corvo	50,000 – 55,000	\$1.90/lb	50,000 – 55,000	\$1.85/lb
	Zinkgruvan	3,000 – 4,000		3,000 – 4,000	
	Aguablanca	5,000 – 6,000		<b>6,000 – 7,000</b>	
	Eagle	2,000 – 3,000		2,000 – 3,000	
	Wholly-owned Tenke (@24%) <sup>b</sup>	60,000 – 68,000 47,900	\$1.22/lb	<b>61,000 – 69,000</b> 47,900	<b>\$1.21/lb</b>
Total attributable		107,900 – 115,900		<b>108,900 – 116,900</b>	
<b>Zinc</b>	Neves-Corvo	60,000 – 65,000		60,000 – 65,000	
	Zinkgruvan	75,000 – 80,000	\$0.35/lb	75,000 – 80,000	\$0.35/lb
	Total	135,000 – 145,000		135,000 – 145,000	
<b>Lead</b>	Neves-Corvo	2,000 – 2,500		<b>3,500 – 4,500</b>	
	Zinkgruvan	27,000 – 30,000		<b>29,000 – 32,000</b>	
	Total	29,000 – 32,500		<b>32,500 – 36,500</b>	
<b>Nickel</b>	Aguablanca	6,000 – 7,000	\$4.50/lb	<b>7,500 – 8,500</b>	<b>\$4.25/lb</b>
	Eagle	2,000 – 3,000		2,000 – 3,000	
	Total	8,000 – 10,000		<b>9,500 – 11,500</b>	

a. Cash costs remain dependent upon exchange rates (forecast at €/USD:1.35, USD/SEK:6.50) and metal prices (forecast at Cu: \$3.15/lb, Zn: \$0.90/lb, Pb: \$0.95/lb, Ni: \$7.50/lb, Co: \$13.00/lb). Prior guidance forecast Ni at \$6.50/lb and Co at \$12.00/lb.

b. Freeport has provided 2014 sales and cash costs guidance. Tenke's 2014 production is assumed to approximate sales guidance.

### 2014 Capital Expenditure Guidance

Capital expenditures for 2014 are expected to be \$440 million (including Eagle, but excluding Tenke), unchanged from previous guidance. Major capital investments for 2014 are as follows:

- **Sustaining capital in European operations** - \$100 million, consisting of approximately \$60 million for Neves-Corvo, \$35 million for Zinkgruvan and \$5 million across other sites.
- **Expansionary capital in European operations** - \$40 million, consisting of:
  - Lombador - \$25 million: For underground vertical and horizontal development and associated mine infrastructure related to the development of the upper Lombador ore bodies for future high grade zinc and copper production. Redesign and optimization of development has allowed for a combination of cost savings and the deferral of certain expenditures into 2015.
  - Neves-Corvo zinc plant debottlenecking and zinc expansion studies - \$5 million: For the installation of a zinc tailings recovery circuit, zinc expansion feasibility studies and Santa Barbara hoisting shaft capacity increase design work.

- Aguablanca underground mining project - \$10 million: For ramp and initial ore body development and the installation of associated mine infrastructure.
- **New investment in Eagle project** - \$300 million, to complete construction of the Humboldt mill and Eagle mine.
- **New investment in Tenke** - \$50 million, estimated by the Company as its share of expansion related initiatives and sustaining capital funding for 2014. All of the capital expenditures are expected to be self-funded by cash flow from Tenke operations.

The Company believes it is reasonable to expect Lundin's attributable cash distributions from Tenke to be in the range of \$80 to \$100 million in 2014, potentially lower than previous guidance due to copper price uncertainty and higher working capital.

#### **2014 Exploration Guidance**

- Total exploration expenses for 2014 (excluding Tenke) are estimated to be \$35 million, consistent with prior guidance. These expenditures will be principally directed towards underground and surface mine exploration at Neves-Corvo, Zinkgruvan and Eagle, select greenfield exploration programs and new business development activities in South America and Eastern Europe.

## Selected Quarterly Financial Information

(\$ millions, except per share amounts)	Three months ended		Six months ended	
	June 30,		June 30,	
	2014	2013	2014	2013
<b>Sales</b>	<b>191.8</b>	176.3	<b>341.7</b>	364.4
Operating costs	<b>(111.0)</b>	(122.6)	<b>(211.2)</b>	(236.1)
General and administrative expenses	<b>(6.6)</b>	(4.5)	<b>(13.2)</b>	(11.1)
<b>Operating earnings</b>	<b>74.2</b>	49.2	<b>117.3</b>	117.2
Depreciation, depletion and amortization	<b>(36.9)</b>	(36.1)	<b>(74.6)</b>	(76.3)
General exploration and business development	<b>(14.2)</b>	(10.7)	<b>(25.8)</b>	(23.2)
Income from equity investment in associates	<b>24.5</b>	16.8	<b>42.5</b>	48.7
Finance income and costs, net	<b>(5.3)</b>	(3.9)	<b>(5.6)</b>	(6.1)
Other income and expenses, net	<b>(2.4)</b>	(9.8)	<b>(2.3)</b>	6.0
<b>Earnings before income taxes</b>	<b>39.9</b>	5.5	<b>51.5</b>	66.3
Income tax (expense) / recovery	<b>(0.2)</b>	11.1	<b>1.6</b>	0.3
<b>Net earnings</b>	<b>39.7</b>	16.6	<b>53.1</b>	66.6
<b>Shareholders' equity</b>	<b>3,714.5</b>	3,527.6	<b>3,714.5</b>	3,527.6
<b>Cash flow from operations</b>	<b>33.7</b>	26.6	<b>61.2</b>	72.4
<b>Capital expenditures</b>	<b>99.3</b>	37.0	<b>191.7</b>	73.6
<b>Total assets</b>	<b>4,572.4</b>	4,009.6	<b>4,572.4</b>	4,009.6
<b>Total long-term debt &amp; finance leases</b>	<b>310.0</b>	8.9	<b>310.0</b>	8.9
<b>Net (debt) / cash</b>	<b>(174.4)</b>	221.1	<b>(174.4)</b>	221.1
<b>Key Financial Data:</b>				
Basic and diluted earnings per share	<b>0.07</b>	0.03	<b>0.09</b>	0.11
Operating cash flow per share <sup>1</sup>	<b>0.09</b>	0.04	<b>0.14</b>	0.13
Dividends	-	-	-	-
<b>Shares outstanding:</b>				
Basic weighted average	<b>585,503,689</b>	584,228,322	<b>585,237,486</b>	584,189,556
Diluted weighted average	<b>586,861,944</b>	584,522,798	<b>586,340,303</b>	584,899,000
End of period	<b>585,807,841</b>	584,241,673	<b>585,807,841</b>	584,241,673

(\$ millions, except per share data)	Q2-14	Q1-14	Q4-13	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12
<b>Sales</b>	191.8	149.9	186.9	176.4	176.3	188.2	176.4	159.6
<b>Operating earnings</b>	74.2	43.1	66.9	58.9	49.2	68.1	51.8	71.1
<b>Net earnings (loss)</b>	39.7	13.3	42.1	27.9	16.6	50.1	(17.1)	37.9
<b>Earnings (loss) per share, basic<sup>2</sup></b>	0.07	0.02	0.07	0.05	0.03	0.09	(0.03)	0.07
<b>Earnings (loss) per share, diluted<sup>2</sup></b>	0.07	0.02	0.07	0.05	0.03	0.09	(0.03)	0.06
<b>Cash flow from operations</b>	33.7	27.5	53.9	27.4	26.6	45.8	49.4	(25.7)
<b>Capital expenditures (incl. Tenke)</b>	99.3	92.4	116.5	53.6	37.0	36.6	29.0	52.3
<b>Net (debt) / cash</b>	(174.4)	(155.0)	(119.3)	(72.8)	221.1	199.4	265.1	245.0

1. Operating cash flow per share is a non-GAAP measure – see page 28 of this MD&A for discussion of non-GAAP measures.

2. 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

	2014			2013				
	YTD	Q2	Q1	Total	Q4	Q3	Q2	Q1
<b>Copper (tonnes)</b>								
Neves-Corvo	21,344	11,009	10,335	53,394	14,197	11,469	14,102	13,626
Zinkgruvan	1,747	881	866	3,269	890	892	693	794
Aguablanca	1,262	626	636	2,795	647	615	573	960
	<b>24,353</b>	<b>12,516</b>	11,837	59,458	15,734	12,976	15,368	15,380
<b>Zinc (tonnes)</b>								
Neves-Corvo	26,253	15,978	10,275	43,199	11,254	11,971	12,981	6,993
Zinkgruvan	31,458	15,109	16,349	59,486	15,216	14,763	16,960	12,547
Galmoy <sup>1</sup>	189	-	189	9,151	2,029	2,777	3,513	832
	<b>57,900</b>	<b>31,087</b>	26,813	111,836	28,499	29,511	33,454	20,372
<b>Lead (tonnes)</b>								
Neves-Corvo	2,030	1,081	949	980	539	304	99	38
Zinkgruvan	17,931	11,260	6,671	29,785	6,438	10,397	8,113	4,837
Galmoy <sup>1</sup>	99	-	99	3,394	983	1,002	1,285	124
	<b>20,060</b>	<b>12,341</b>	7,719	34,159	7,960	11,703	9,497	4,999
<b>Nickel (tonnes)</b>								
Aguablanca	2,584	1,342	1,242	5,472	1,346	1,180	1,157	1,789

1. 50% of metal is attributable to Galmoy on sale of ore to third party processing facility.

### Sales Analysis

(\$ thousands)	Three months ended June 30,					Six months ended June 30,				
	2014		2013		Change	2014		2013		Change
	\$	%	\$	%		\$	%	\$	%	
<b>by Mine</b>										
Neves-Corvo	97,361	51	104,407	59	(7,046)	173,633	51	212,414	58	(38,781)
Zinkgruvan	55,144	29	44,811	25	10,333	98,222	29	80,673	22	17,549
Aguablanca	39,258	20	19,787	11	19,471	68,547	20	62,587	17	5,960
Galmoy	-	-	7,268	5	(7,268)	1,264	-	8,772	3	(7,508)
	<b>191,763</b>		176,273		15,490	<b>341,666</b>		364,446		(22,780)
<b>by Metal</b>										
Copper	81,275	42	94,029	53	(12,754)	149,080	44	203,611	56	(54,531)
Zinc	48,277	25	44,822	25	3,455	87,865	26	75,379	21	12,486
Lead	22,703	12	16,982	10	5,721	36,567	11	26,380	7	10,187
Nickel	30,521	16	12,457	7	18,064	52,313	15	42,636	12	9,677
Other	8,987	5	7,983	5	1,004	15,841	4	16,440	4	(599)
	<b>191,763</b>		176,273		15,490	<b>341,666</b>		364,446		(22,780)

Sales for the quarter ended June 30, 2014 were \$15.5 million higher than the prior year quarter as a result of higher net realized metal prices and prior period price adjustments (\$33.4 million), partially offset by lower sales volumes (\$13.4 million).



Year-to-date sales were \$22.7 million lower than the comparable period in 2013. Lower sales volumes (\$33.5 million), primarily copper sales at Neves-Corvo, were partially offset by higher net realized metal prices and prior period price adjustments (\$17.5 million).

Sales are recorded using the metal price received for sales that settle during the reporting period. For sales that have not been settled, an estimate is used based on the expected month of settlement and the forward price of the metal at the end of the reporting period. The difference between the estimate and the final price received is recognized by adjusting gross sales in the period in which the sale (finalization adjustment) is settled. The finalization adjustment recorded for these sales depends on the actual price when the sale settles. Settlement dates are typically one to four months after shipment.

### Quarterly Reconciliation of Realized Prices

<b>2014</b>	<b>Quarter ended June 30, 2014</b>				
(\$ thousands, except per pound amounts)	<b>Copper</b>	<b>Zinc</b>	<b>Lead</b>	<b>Nickel</b>	<b>Total</b>
Current period sales <sup>1</sup>	87,693	66,227	26,137	25,517	205,574
Prior period price adjustments	1,468	362	290	5,151	7,271
Sales before other metals and TC/RC	89,161	66,589	26,427	30,668	212,845
Other metal sales					8,987
Less: TC/RC					(30,069)
<b>Total Sales</b>					<b>191,763</b>
<b>Payable Metal (tonnes)</b>	<b>12,516</b>	<b>31,087</b>	<b>12,341</b>	<b>1,342</b>	
Current period sales (\$/lb) <sup>1</sup>	\$ 3.18	\$ 0.97	\$ 0.96	\$ 8.62	
Prior period price adjustments (\$/lb)	0.05	-	0.01	1.75	
<b>Realized prices (\$/lb)</b>	<b>\$ 3.23</b>	<b>\$ 0.97</b>	<b>\$ 0.97</b>	<b>\$ 10.37</b>	

<b>2013</b>	<b>Quarter ended June 30, 2013</b>				
(\$ thousands, except per pound amounts)	<b>Copper</b>	<b>Zinc</b>	<b>Lead</b>	<b>Nickel</b>	<b>Total</b>
Current period sales <sup>1</sup>	107,254	61,040	19,629	15,833	203,756
Prior period price adjustments	(4,295)	(607)	23	(3,376)	(8,255)
Sales before other metals and TC/RC	102,959	60,433	19,652	12,457	195,501
Other metal sales					7,983
Less: TC/RC					(27,211)
<b>Total Sales</b>					<b>176,273</b>
<b>Payable Metal (tonnes)</b>	<b>15,368</b>	<b>33,454</b>	<b>9,497</b>	<b>1,157</b>	
Current period sales (\$/lb) <sup>1</sup>	\$ 3.17	\$ 0.83	\$ 0.94	\$ 6.21	
Prior period price adjustments (\$/lb)	(0.13)	(0.01)	-	(1.33)	
<b>Realized prices (\$/lb)</b>	<b>\$ 3.04</b>	<b>\$ 0.82</b>	<b>\$ 0.94</b>	<b>\$ 4.88</b>	

1. Includes provisional price adjustments on current period sales.

## Year to Date Reconciliation of Realized Prices

2014 (\$ thousands, except per pound amounts)	Six months ended June 30, 2014				
	Copper	Zinc	Lead	Nickel	Total
Current period sales <sup>1</sup>	169,402	120,511	42,466	49,273	381,652
Prior period price adjustments	(5,116)	(114)	(71)	3,187	(2,114)
Sales before other metals and TC/RC	164,286	120,397	42,395	52,460	379,538
Other metal sales					15,841
Less: TC/RC					(53,713)
<b>Total Sales</b>					<b>341,666</b>
<b>Payable Metal (tonnes)</b>	<b>24,353</b>	<b>57,900</b>	<b>20,060</b>	<b>2,584</b>	
Current period sales (\$/lb) <sup>1</sup>	\$ 3.16	\$ 0.94	\$ 0.96	\$ 8.65	
Prior period price adjustments (\$/lb)	(0.10)	-	-	0.56	
<b>Realized prices (\$/lb)</b>	<b>\$ 3.06</b>	<b>\$ 0.94</b>	<b>\$ 0.96</b>	<b>\$ 9.21</b>	

2013 (\$ thousands, except per pound amounts)	Six months ended June 30, 2013				
	Copper	Zinc	Lead	Nickel	Total
Current period sales <sup>1</sup>	229,022	101,884	30,941	41,726	403,573
Prior period price adjustments	(8,882)	(1,307)	(270)	954	(9,505)
Sales before other metals and TC/RC	220,140	100,577	30,671	42,680	394,068
Other metal sales					16,440
Less: TC/RC					(46,062)
<b>Total Sales</b>					<b>364,446</b>
<b>Payable Metal (tonnes)</b>	<b>30,748</b>	<b>53,826</b>	<b>14,496</b>	<b>2,946</b>	
Current period sales (\$/lb) <sup>1</sup>	\$ 3.38	\$ 0.86	\$ 0.97	\$ 6.42	
Prior period price adjustments (\$/lb)	(0.13)	(0.01)	(0.01)	0.15	
<b>Realized prices (\$/lb)</b>	<b>\$ 3.25</b>	<b>\$ 0.85</b>	<b>\$ 0.96</b>	<b>\$ 6.57</b>	

1. Includes provisional price adjustments on current period sales.

## Provisionally valued sales as of June 30, 2014

Metal	Tonnes Payable	Valued at \$ per lb	Valued at \$ per tonne
Copper	11,306	3.19	7,022
Zinc	14,333	1.00	2,208
Lead	7,595	0.97	2,134
Nickel	1,843	8.63	19,023

## Financial Results

### Operating Costs

Operating costs of \$111.0 million for the three months ended June 30, 2014 were \$11.6 million lower than the three months ended June 30, 2013. Costs decreased due to the closure of our Galmoy operation and lower sales volumes at Neves-Corvo.

For the six months ended June 30, 2014, operating costs of \$211.2 million were \$24.9 million lower than the same period in the prior year due to the closure of our Galmoy operation and lower sales volumes at Neves-Corvo and Aguablanca, partially offset by higher sales volumes at Zinkgruvan.

### Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense remained consistent for the three months ended June 30, 2014 when compared to the three months ended June 30, 2013.

For the six months ended June 30, 2014, depreciation, depletion and amortization expense decreased \$1.7 million, which is attributed to an extension of the mine life at Aguablanca as part of the development of the underground mine.

Depreciation by operation (\$ thousands)	Three months ended June 30,			Six months ended June 30,		
	2014	2013	Change	2014	2013	Change
Neves-Corvo	26,733	25,131	1,602	53,522	50,565	2,957
Zinkgruvan	7,897	6,593	1,304	14,889	13,407	1,482
Aguablanca	1,057	4,245	(3,188)	4,020	12,132	(8,112)
Eagle	1,094	-	1,094	1,999	-	1,999
Other	107	97	10	211	196	15
	36,888	36,066	822	74,641	76,300	(1,659)

### General Exploration and Business Development

General exploration and business development costs increased for the three and six months ended June 30, 2014. The increase is attributable to higher corporate development and project development expenditures in the current year periods. Project development expenses include pre-feasibility costs and indirect costs for the Eagle project.

### Income from Equity Investment in Associates

Income from equity investments includes earnings from a 24% interest in each of Tenke Fungurume and Freeport Cobalt. For Tenke, equity earnings of \$24.9 million were recognized for the three months ended June 30, 2014 (Q2 2013 - \$19.3 million) and \$43.8 million on a year-to-date basis (2013 - \$51.2 million). Refer to the section titled "Tenke Fungurume" contained in this MD&A for further discussion.

### Finance Income and Costs

For the three and six months ended June 30, 2014, net finance costs increased \$1.4 million and decreased \$0.5 million, respectively, when compared to the prior year comparable periods. The changes are primarily attributable to net revaluation losses on marketable securities recorded in finance income and costs in 2013 and 2014.

## Other Income and Expense

Net other income and expense is comprised of foreign exchange gains and losses and other incidental items. In addition, insurance proceeds from the Aguablanca ramp failure (\$15.1 million) which occurred in late-2010 were received in the first quarter of 2013.

A foreign exchange loss of \$0.3 million in the current quarter and \$0.4 million year-to-date relates to US denominated cash and trade receivables that were held in the European group entities. Period end exchange rates at June 30, 2014 were \$1.37:€1.00 (March 31, 2014 – \$1.38:€1.00; December 31, 2013 – \$1.38:€1.00) and \$1.00:SEK6.74 (March 31, 2014 – \$1.00:SEK6.51; December 31, 2013 – \$1.00:SEK6.51).

## Current and Deferred Taxes

Current tax expense (\$ thousands)	Three months ended June 30,			Six months ended June 30,		
	2014	2013	Change	2014	2013	Change
Neves-Corvo	(1,100)	5,100	(6,200)	(1,479)	13,819	(15,298)
Zinkgruvan	4,008	1,592	2,416	5,764	2,426	3,338
Aguablanca	-	-	-	(16)	(28)	12
Other	16	(2,163)	2,179	61	(2,091)	2,152
	<b>2,924</b>	<b>4,529</b>	<b>(1,605)</b>	<b>4,330</b>	<b>14,126</b>	<b>(9,796)</b>

Current income tax expense for the three months ended June 30, 2014 was \$2.9 million, \$1.6 million lower than the \$4.5 million expense recorded in the comparative quarter of 2013. The decrease is primarily a result of investment tax credits of \$4.0 million and prior period tax adjustments of \$1.9 million at Neves-Corvo.

On a year-to-date basis, current income tax expense of \$4.3 million was \$9.8 million lower than the \$14.1 million expense recorded in the prior year due largely to investment tax credits of \$4.4 million, prior period tax adjustments of \$1.9 million and lower taxable earnings at Neves-Corvo.

Deferred tax recovery (\$ thousands)	Three months ended June 30,			Six months ended June 30,		
	2014	2013	Change	2014	2013	Change
Neves-Corvo	(1,216)	(5,889)	4,673	(4,287)	(9,322)	5,035
Zinkgruvan	(165)	(201)	36	(304)	(399)	95
Aguablanca	3,808	(8,892)	12,700	6,556	(4,387)	10,943
Eagle	(3,153)	-	(3,153)	(5,642)	-	(5,642)
Other	(2,057)	(644)	(1,413)	(2,258)	(366)	(1,892)
	<b>(2,783)</b>	<b>(15,626)</b>	<b>12,843</b>	<b>(5,935)</b>	<b>(14,474)</b>	<b>8,539</b>

Deferred income tax recovery for the three months ended June 30, 2014 was \$2.8 million, \$12.8 million lower than the \$15.6 million recovery recorded in the comparative quarter of 2013. The decrease is primarily a result of the utilization of temporary differences by Aguablanca to offset taxable income.

On a year-to-date basis, deferred income tax recovery of \$5.9 million was \$8.6 million lower than the \$14.5 million recovery recorded in the prior year due to prior period tax adjustments of \$3.0 million made in 2013 at Neves-Corvo and the utilization of temporary differences by Aguablanca to offset taxable income.

## Mining Operations

### Production Overview

	2014			Total	2013				
	YTD	Q2	Q1		Q4	Q3	Q2	Q1	
<b>Copper (tonnes)</b>									
Neves-Corvo	26,245	13,480	12,765	56,544	15,499	12,629	14,102	14,314	
Zinkgruvan	1,886	903	983	3,460	894	973	447	1,146	
Aguablanca	3,451	1,799	1,652	6,242	1,685	1,485	1,516	1,556	
	<b>31,582</b>	<b>16,182</b>	15,400	66,246	18,078	15,087	16,065	17,016	
<b>Zinc (tonnes)</b>									
Neves-Corvo	32,137	17,909	14,228	53,382	14,456	14,723	13,940	10,263	
Zinkgruvan	38,532	19,293	19,239	71,366	18,340	18,743	18,599	15,684	
	<b>70,669</b>	<b>37,202</b>	33,467	124,748	32,796	33,466	32,539	25,947	
<b>Lead (tonnes)</b>									
Neves-Corvo	1,859	1,054	805	1,496	849	416	231	-	
Zinkgruvan	18,329	9,196	9,133	32,874	7,119	8,703	10,461	6,591	
	<b>20,188</b>	<b>10,250</b>	9,938	34,370	7,968	9,119	10,692	6,591	
<b>Nickel (tonnes)</b>									
Aguablanca	4,192	2,212	1,980	7,574	2,113	1,788	1,876	1,797	

## Cash Cost Overview

	Three months ended June 30,			
	2014	2013	2014	2013
	Cash cost/lb (US dollars)		Cash cost/lb (local currency)	
<b>Neves-Corvo (Local in €)</b>				
Gross cost	2.71	2.42	1.98	1.85
By-product <sup>1</sup>	(1.09)	(0.57)	(0.79)	(0.44)
<b>Net Cost - cost/lb Cu</b>	<b>1.62</b>	<b>1.85</b>	<b>1.19</b>	<b>1.41</b>
<b>Zinkgruvan (Local in SEK)</b>				
Gross cost	1.08	1.00	7.11	6.58
By-product <sup>1</sup>	(0.91)	(0.57)	(6.01)	(3.75)
<b>Net Cost - cost/lb Zn</b>	<b>0.17</b>	<b>0.43</b>	<b>1.10</b>	<b>2.83</b>
<b>Aguablanca (Local in €)</b>				
Gross cost	8.00	6.37	5.85	4.89
By-product <sup>1</sup>	(2.95)	(2.87)	(2.15)	(2.20)
<b>Net Cost - cost/lb Ni</b>	<b>5.05</b>	<b>3.50</b>	<b>3.70</b>	<b>2.69</b>
	Six months ended June 30,			
	2014	2013	2014	2013
	Cash cost/lb (US dollars)		Cash cost/lb (local currency)	
<b>Neves-Corvo (Local in €)</b>				
Gross cost	2.77	2.31	2.03	1.76
By-product <sup>1</sup>	(0.92)	(0.47)	(0.68)	(0.36)
<b>Net Cost - cost/lb Cu</b>	<b>1.85</b>	<b>1.84</b>	<b>1.35</b>	<b>1.40</b>
<b>Zinkgruvan (Local in SEK)</b>				
Gross cost	1.01	1.01	6.65	6.56
By-product <sup>1</sup>	(0.70)	(0.58)	(4.62)	(3.78)
<b>Net Cost - cost/lb Zn</b>	<b>0.31</b>	<b>0.43</b>	<b>2.03</b>	<b>2.78</b>
<b>Aguablanca (Local in €)</b>				
Gross cost	6.90	7.28	5.05	5.53
By-product <sup>1</sup>	(2.85)	(3.07)	(2.08)	(2.33)
<b>Net Cost - cost/lb Ni</b>	<b>4.05</b>	<b>4.21</b>	<b>2.97</b>	<b>3.20</b>

1. By-product is after related TC/RC

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

## Neves-Corvo Mine

Neves-Corvo is an underground mine, located 100 km north of Faro, Portugal, in the western part of the Iberian Pyrite Belt. The mine has been a significant producer of copper since 1989 and in 2006 commenced treating zinc ores. The facilities include a shaft with a total hoisting capacity of up to 4.7 mtpa, a copper plant with 2.5 mtpa processing capacity and a zinc plant with 1.2 mtpa processing capacity. The zinc plant has the flexibility to process zinc or copper ores.

### Operating Statistics

	2014			2013				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, copper (000 tonnes)	1,274	636	638	2,535	674	618	648	595
Ore mined, zinc (000 tonnes)	569	298	271	968	236	255	266	211
Ore milled, copper (000 tonnes)	1,276	631	645	2,525	664	628	654	579
Ore milled, zinc (000 tonnes)	567	296	271	974	232	265	264	213
Grade per tonne								
Copper (%)	2.4	2.5	2.3	2.6	2.8	2.4	2.5	2.7
Zinc (%)	7.3	7.6	7.0	7.1	8.1	7.3	6.6	6.2
Recovery								
Copper (%)	81.7	81.6	81.9	84.5	80.7	81.1	86.0	90.8
Zinc (%)	73.7	74.6	72.7	74.1	74.0	73.2	76.1	73.2
Production (contained metal)								
Copper (tonnes)	26,245	13,480	12,765	56,544	15,499	12,629	14,102	14,314
Zinc (tonnes)	32,137	17,909	14,228	53,382	14,456	14,723	13,940	10,263
Lead (tonnes)	1,859	1,054	805	1,496	849	416	231	-
Silver (000 oz)	745	407	338	1,306	402	263	314	327
Sales (\$000s)	173,633	97,361	76,272	420,308	111,818	96,076	104,407	108,007
Operating earnings (\$000s)	59,014	39,035	19,979	158,546	46,136	29,214	35,338	47,858
Cash cost (€ per pound)	1.35	1.19	1.53	1.43	1.28	1.68	1.41	1.39
Cash cost (\$ per pound)	1.85	1.62	2.10	1.90	1.75	2.23	1.85	1.83

### Operating Earnings

Operating earnings of \$39.0 million for the three months ended June 30, 2014 were \$3.7 million higher than 2013. The increase is mainly attributable to lower operating costs (\$10.0 million) and higher net metal prices and prior period adjustments (\$9.1 million), partially offset by lower net sales volumes (\$9.9 million) and unfavourable foreign exchange rates (\$3.1 million).

Operating earnings of \$59.0 million for the six months ended June 30, 2014 were \$24.2 million lower than 2013. The decrease is mainly attributable to lower net sales volumes (\$22.4 million).

Operating earnings were also affected by the stockpiling of copper concentrates above normal levels to enable the Company to undertake concentrate blending to meet various smelter specific needs. The blending strategy requires increased levels of inventory, but results in a more consistent concentrate quality.

### Production

Copper production for the three months ended June 30, 2014 was lower than the comparable period in 2013 by 622 tonnes (or 4%). Metallurgical recoveries and mill throughput were lower in the current year quarter resulting in lower copper production. Higher lead content in the copper ore from some of the mine's ore bodies had a negative impact on recovery. Changes to the underground materials handling procedures were made during the quarter to reduce the risk of contamination by mixing of copper and zinc ores. Lead grades in copper ore have been reduced, with copper grades and recoveries expected to increase as the year progresses.

Zinc production for the three months ended June 30, 2014 was higher than the comparable period in 2013 by 3,969 tonnes (or 28%). The increase is largely a consequence of an increased proportion of zinc ore being derived from the Lombador deposit as more stopes are brought into production as the year progresses.

Production of 1,054 tonnes of lead in concentrate during the quarter was derived as a by-product from the zinc circuit and given the higher than expected grades, full year production guidance has been increased to 3,500-4,500 tonnes.

### **Cash Costs**

Copper cash costs of \$1.62/lb for the quarter ended June 30, 2014 were lower than original guidance of \$1.90/lb and that of the corresponding period in 2013 of \$1.85/lb. The variance against guidance is largely attributed to higher zinc and lead by-product credits, net of treatment charges. The decrease from the prior period was a result of higher zinc and lead by-product credits, net of treatment charges (\$0.52/lb), partially offset by higher per unit production costs largely associated with the increased production of zinc (\$0.14/lb) and unfavourable foreign exchanges rates (\$0.13/lb).

On a year-to-date basis, copper cash costs of \$1.85/lb for the six months ended June 30, 2014 were consistent with the comparable period in prior year and current guidance.

Full year cash cost guidance has been reduced from \$1.90/lb to \$1.85/lb, primarily as a result of higher expected by-product credits.

### **Projects**

A zinc expansion feasibility study at Neves-Corvo is progressing to plan. Included in the study is the development and exploitation of a new deeper area of Lombador, along with expanding production from existing areas of the mine and expanding surface plant and infrastructure facilities with a brownfields debottlenecking approach. Study completion is scheduled for the first quarter of 2015.



## Zinkgruvan Mine

The Zinkgruvan mine is located approximately 250 km south-west of Stockholm, Sweden. Zinkgruvan has been producing zinc, lead and silver on a continuous basis since 1857. The operation consists of an underground mine, processing facilities and associated infrastructure with a nominal production capacity of 1.3 million tonnes of ore.

### Operating Statistics

	2014			2013				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, zinc (000 tonnes)	519	262	257	911	216	230	222	243
Ore mined, copper (000 tonnes)	89	55	34	214	61	58	43	52
Ore milled, zinc (000 tonnes)	520	272	248	924	217	229	248	230
Ore milled, copper (000 tonnes)	82	47	35	222	59	58	49	56
Grade per tonne								
Zinc (%)	8.3	8.0	8.6	8.5	9.1	9.0	8.5	7.5
Lead (%)	4.2	4.1	4.4	4.2	3.9	4.5	4.9	3.4
Copper (%)	2.5	2.2	2.9	1.7	1.6	1.9	1.1	2.2
Recovery								
Zinc (%)	89.3	88.6	89.9	90.7	92.7	90.9	88.5	90.6
Lead (%)	83.6	83.3	84.0	84.8	83.6	84.5	85.5	85.2
Copper (%)	91.2	88.2	94.2	89.8	91.7	88.2	82.6	92.9
Production (contained metal)								
Zinc (tonnes)	38,532	19,293	19,239	71,366	18,340	18,743	18,599	15,684
Lead (tonnes)	18,329	9,196	9,133	32,874	7,119	8,703	10,461	6,591
Copper (tonnes)	1,886	903	983	3,460	894	973	447	1,146
Silver (000 oz)	1,280	631	649	2,468	558	668	728	514
Sales (\$000s)	98,222	55,144	43,078	173,836	43,875	49,288	44,811	35,862
Operating earnings (\$000s)	43,838	27,299	16,539	71,486	17,818	25,634	13,664	14,370
Cash cost (SEK per pound)	2.03	1.10	2.89	2.10	2.44	0.40	2.83	2.72
Cash cost (\$ per pound)	0.31	0.17	0.45	0.32	0.37	0.06	0.43	0.42

### Operating Earnings

Operating earnings of \$27.3 million were \$13.6 million higher than the \$13.7 million reported in the second quarter of 2013. The increase in earnings is largely attributable to higher zinc metal prices and prior period price adjustments (\$5.7 million), lower operating costs (\$3.8 million), and higher net sales volumes (\$4.2 million).

For the six months ended June 30, 2014, operating earnings of \$43.8 million were \$15.8 million higher than the comparable period in 2013. Higher zinc metal prices and prior period price adjustments (\$6.0 million) and higher net sales volumes (\$6.8 million) resulted in the increase.

### Production

Mine production and mill throughput were at an all time high in the second quarter of 2014 and year-to-date, resulting in excellent production across all metals.

Despite lower head grades, zinc production in the second quarter of 2014 was higher than the comparable period in 2013 due to higher mill throughput. Lead production for the second quarter of 2014 was lower than the 2013 comparable period primarily due to lower, but still above expected head grades.

Copper production in the current quarter was double the amount of production in the previous year comparable period, significantly impacted by higher head grades from one large stope in the Burkland orebody.

On a year-to-date basis, zinc and lead production were 12% and 7%, respectively, higher than 2013 levels as mill throughput has improved. Accordingly, full year lead production guidance has been increased from 27,000-30,000 tonnes to 29,000-32,000 tonnes.

Year-to-date copper production was also higher (18%) for the first half of 2014, again due in large part to the mining of stopes with higher copper head grades.

### **Cash Costs**

Zinc cash costs of \$0.17/lb for the quarter ended June 30, 2014 were lower than guidance of \$0.35/lb and that of the corresponding period in 2013 of \$0.43/lb. Cash costs in the current quarter were below the full year guidance target and the comparable prior year period largely as a result of higher lead by-product credits.

On a year-to-date basis, cash costs for zinc were \$0.31/lb, compared to \$0.43/lb for the same period in 2013. The decrease is primarily due to higher lead by-product credits, net of treatment charges (\$0.13/lb).

### **Projects**

Investments continue to be made in the paste backfilling system to improve flexibility and redundancy in the distribution network, and studies are in progress to increase the overall capacity of the system.

## 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. Current 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. Commencing mid-2014, development will begin on an underground mining project, which is expected to extend mine production until 2018.

### Operating Statistics

	2014			2013				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	549	365	184	1,785	459	539	409	378
Ore milled (000s tonnes)	844	426	418	1,606	438	378	387	403
Grade per tonne								
Nickel (%)	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.5
Copper (%)	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Recovery								
Nickel (%)	82.2	82.5	82.0	82.8	81.8	82.6	83.8	82.4
Copper (%)	94.1	94.0	94.2	93.8	94.2	94.2	93.9	93.2
Production (contained metal)								
Nickel (tonnes)	4,192	2,212	1,980	7,574	2,113	1,788	1,876	1,797
Copper (tonnes)	3,451	1,799	1,652	6,242	1,685	1,485	1,516	1,556
Sales (\$000s)	68,547	39,258	29,289	114,027	26,162	25,278	19,787	42,800
Operating earnings (loss) (\$000s)	28,127	15,117	13,010	27,559	7,529	6,397	787	12,846
Cash cost (€ per pound)	2.97	3.70	2.18	2.85	2.16	2.78	2.69	3.53
Cash cost (\$ per pound)	4.05	5.05	2.98	3.78	2.95	3.67	3.50	4.66

### Operating Earnings

Operating earnings for the second quarter ended June 30, 2014 were \$15.1 million compared to \$0.8 million for the prior year comparable period. The increase is primarily a result of higher metal prices and prior period price adjustments (\$16.9 million).

On a year-to-date basis, operating earnings for 2014 were \$28.1 million compared to \$13.6 million in 2013. The increase is primarily a result of higher net metal prices and prior period price adjustments (\$14.5 million), partially offset by lower sales volumes (\$4.1 million).

### Production

Nickel production for the three months ended June 30, 2014 was higher than the comparable period in 2013 by 336 tonnes (or 18%). Higher mill throughput, with processing of both run-of-mine and stockpiled ore contributed to the increase.

Copper production for the three months ended June 30, 2014 was higher than the comparable period in 2013 by 283 tonnes (or 19%). Again, higher mill throughput and head grades contributed to the increase.

With increased throughput and higher copper head grades, the mine produced 4,192 tonnes of nickel and 3,451 tonnes of copper for the six months ended June 30, 2014. Accordingly, given the production to date and mine plan for the rest of the year, full year production guidance has been increased to 7,500-8,500 tonnes of nickel and 6,000-7,000 tonnes of copper.

Open pit mining is expected to be completed by November of 2014, with subsequent stope production from the underground mine commencing thereafter.

**Cash Costs**

Nickel cash costs of \$5.05/lb for the quarter ended June 30, 2014 were higher than that of the corresponding period in 2013 of \$3.50/lb, and the prior quarter ended March 31, 2014, of \$2.98/lb. The increase is partially due to a contractual increase in open pit contractor costs and unfavourable changes in foreign exchange.

Though higher than the revised full year guidance of \$4.25/lb, costs for the quarter were in-line with the mine plan.

On a year-to-date basis, nickel cash costs of \$4.05/lb for the six months ended June 30, 2014 were slightly lower than current guidance and the prior year comparable period.

Given the higher than expected by-product credits to date and increased production guidance, full year cash cost guidance has been reduced from \$4.50/lb to \$4.25/lb.

**Underground Project**

Rehabilitation of the main decline ramp is advancing well. Capital waste development is well ahead of schedule to accelerate the commencement of underground production. Ore production is expected to commence from development in the fourth quarter of 2014 and from stoping in the first quarter of 2015. The deposit mineralization is open at depth and if nickel and copper prices remain strong there is a possibility to extend mine life.

## Tenke Fungurume

Tenke Fungurume (“Tenke”) is a copper-cobalt mine located in the southern part of Katanga Province, Democratic Republic of Congo (“DRC”). Lundin Mining holds a 24% equity interest in the mine. Freeport-McMoRan Inc. (“Freeport”) is the operating partner and holds a 56% interest in the mine. Gécamines, the Congolese state mining company, holds a 20% carried interest in the mine. With the completion of the Phase II expansion, Tenke now has a nameplate annual production capacity of 195,000 tonnes of copper cathode and 15,000 tonnes of cobalt hydroxide.

### Operating Statistics

100% Basis	2014			2013				
	Total	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000 tonnes)	7,436	3,485	3,951	13,231	3,739	3,347	2,763	3,382
Ore milled (000 tonnes)	2,686	1,380	1,306	5,428	1,409	1,338	1,364	1,317
Grade per tonne Copper (%)	4.1	4.1	4.1	4.2	3.9	3.9	4.6	4.4
Recovery Copper (%)	93.7	92.7	94.7	91.4	90.6	91.6	89.9	93.7
Production (contained metal)								
Copper (tonnes)	101,334	51,870	49,464	209,774	50,645	49,541	55,126	54,462
Cobalt (tonnes)	6,388	3,418	2,970	12,751	4,247	3,659	2,305	2,540
Income from equity investment (\$000s) <sup>1</sup>	43,840	24,853	18,987	97,769	22,425	24,185	19,276	31,883
Attributable share of operating cash flows (\$000s)	65,485	37,802	27,683	168,385	50,091	42,219	32,436	43,639
Cash cost (\$ per pound) <sup>2</sup>	1.06	1.18	0.89	1.21	1.14	1.23	1.23	1.23

1. Lundin Mining's share of equity earnings includes adjustments for GAAP harmonization differences and purchase price allocations.

2. Cash cost is calculated and reported by Freeport. Unit costs attributable to Lundin Mining's share of production may vary slightly from time to time due to marginal differences in the basis of calculation.

### Income from Equity Investment

Income of \$24.9 million in the current quarter was \$5.6 million higher than the second quarter of last year due to higher copper sales volumes. Volume of copper cathode sold during the quarter, on a 100% basis, was 53,374 tonnes, 11% higher than the 48,285 tonnes sold in the comparable period of last year, due to timing of sales.

The average price realized for copper sales during the quarter was \$3.08/lb, compared to \$3.10/lb in the second quarter of 2013. The average realized price for cobalt sold during the second quarter of 2014 was \$9.58/lb, compared to \$8.48/lb in the second quarter of 2013.

### Production

Tenke produced 51,870 tonnes of copper for the three months ended June 30, 2014, lower than the prior year comparable quarter production of 55,126 tonnes due primarily to lower ore grades. Cobalt production for the quarter was 3,418 tonnes, 48% higher than the prior year comparable quarter due to higher head grades and improved process recoveries.

The expanded milling facilities at Tenke continue to exceed original design capacity with throughput averaging 15,200 metric tonnes of ore per day (“mtpd”) for the three months ended June 30, 2014. Mining rate during the quarter reached a quarterly record of 149,300 mtpd, higher than expectations due to improved fragmentation, equipment availability and operational improvements.

The new acid plant is advancing with civil works progressing on site. The acid plant is scheduled to be completed in 2016 and is sized to support future expansion initiatives as well as eliminating the current need to import third party acid in addition to the acid produced at Tenke’s existing plant.

Lundin's attributable share of forecast copper and cobalt sales volumes remain unchanged at 47,900 tonnes and 3,300 tonnes, respectively.

### **Cash Costs**

Cash costs for copper, net of cobalt by-product credits, were \$1.18/lb for the quarter and \$1.06/lb year-to-date. These are lower than cash costs for the three and six months ended June 30, 2013 of \$1.23/lb and is a reflection of higher cobalt by-product credits realized in the first half of 2014.

### **Tenke Cash Flow**

Lundin's attributable share of operating cash flow at Tenke for the second quarter of 2014 was \$37.8 million. This is higher than the \$32.4 million recognized in the second quarter of 2013, due to timing of sales and higher realized cobalt prices.

Year-to-date, Lundin's attributable share of operating cash flow was \$65.5 million, \$10.6 million lower than the \$76.1 million generated in the same period in 2013, due primarily to lower realized copper prices

Lundin Mining's share of 2014 capital investment for Tenke, which is expected to be self-funded by cash flow from Tenke operations, is expected to be approximately \$50 million. Key capital spending areas in 2014 include: a second acid plant, a tailings dam expansion, mine equipment, workshop development, and test work and studies for potential future phased expansions. During the quarter and six months ended June 30, 2014, \$8.7 million and \$17.8 million, respectively, was spent on our attributable share of capital investments, which was funded by cash flow from operations.

The Company received cash distributions of \$22.6 million for the quarter ended June 30, 2014, and \$39.3 million year-to-date.

## **Eagle Project**

*The Eagle project consists of the Eagle underground mine, located approximately 55 km northwest of Marquette, Michigan, U.S.A. and the Humboldt mill, located 45 km west of Marquette in Champion, Michigan. The mine and mill are currently under development and construction is expected to be completed in the fourth quarter of 2014. Once in operation, the mine is expected to produce an average of 17ktpa each of nickel and copper over the current mine life of 8 years at an average cash cost of \$2.50/lb of nickel. The Eagle project was acquired from Rio Tinto in July 2013.*

### **Project Development**

Project activities remain on track to support shipment of the first saleable concentrates of copper and nickel in the fourth quarter of 2014. Ore processing is expected to reach the design rate of 2,000 tonnes/day in the second quarter of 2015.

The total capital cost of the project is estimated at \$400 million<sup>1</sup> from the date of acquisition, with \$225 million spent since that time, of which \$65 million was spent in the second quarter of 2014. There were approximately 500 people working at the mill site as of June 30, 2014, including contractors.

### **Mine**

Mine surface construction is complete and development in ore has begun in preparation for the first production blasts, planned for the third quarter of 2014. Underground development year-to-date has achieved 1,590 metres, in-line with project timelines.

### **Mill**

Mill construction activities remain on track at 90% complete as of June 30, 2014. Additional shifts and overtime for selected critical work activities have been implemented to ensure completion on time.

Process plant pre-commissioning activities are underway. Substations have been energized and the control room has electrical power. Commissioning activities have commenced.

### **Transportation**

County road upgrade work re-started in May, in time to be completed as planned in November 2014. Delivery of rail cars, ore haulage trucks and contracts for rail haulage of concentrate to market are advancing as planned.

### **Operational Readiness**

Recruitment of operators and maintenance personnel is complete; training is underway, and development of operating procedures is nearing completion. Spare parts have been ordered and are being received in the warehouse. The mill laboratory has been commissioned and has been turned over to the laboratory contractor. All operating contracts have been awarded.

### **Permitting**

All operating permits have been received, with ongoing work required for permit renewals in the normal course.

<sup>1</sup>This estimate is based on detailed project budgets and is supported by independent technical reports, regular project and cost reviews and committed and incurred costs to-date.

## **Exploration**

### **Eagle Resource Exploration, USA (Nickel, Copper)**

Exploration in the second quarter of 2014 continued to focus on underground drilling, underground borehole geophysics, and planning for surface geophysical surveys. A gravity survey was completed and regional drill targets will be tested in the third quarter of 2014. Planning progresses for a seismic survey to take place in the third quarter of 2014.

Eagle East is a second ultramafic intrusion separated from the Eagle intrusion, which hosts the Eagle orebody, by one kilometer. Surface drilling at Eagle East has focused on tracing the feeder dike at depth using directional drilling. The semi-massive sulphide breccia textures and metal contents in the drill intercepts from Eagle East are similar to parts of Eagle. There is evidence that with depth, Eagle East becomes a more dynamic magmatic system that is more analogous to Eagle than was previously thought, which improves its potential for higher grade nickel-copper sulphide concentrations as seen with initial drill hole results recently reported.

### **Neves-Corvo Resource Exploration, Portugal (Copper, Zinc)**

Drill rigs were stepped down in the second quarter of 2014 to facilitate a suspension of surface exploration efforts at the mine. Mine exploration will continue through underground drilling focusing on resource expansion targets at Lombador and Corvo.

### **Los Rulos Joint Venture Exploration, Chile (Copper, Gold)**

A 50/50 Joint Venture (JV) agreement with Southern Hemisphere Mining was executed in late 2013 to explore copper-gold prospects across an extensive package of low altitude mineral properties in the Coquimbo region of the Chilean coastal copper belt. Fieldwork completed to date, including trenching, mapping and geophysics, has resulted in two promising targets, Polvareda and Armandino. In Polvareda, geophysical target definition was completed during the second quarter of 2014 and the target is being advanced towards drill testing in the third quarter of 2014. Drilling commenced late in the second quarter of 2014 at Armandino following the completion of geophysical target definition.

### **Peru (Copper)**

Work in Peru has focused on new copper project evaluations. Two new exploration properties have been optioned, including an undrilled porphyry copper prospect located close to the coast in central Peru. Initial targeting and permitting work has been underway since the first quarter of 2014 with plans to drill in the third quarter of 2014.

### **Eastern Europe (Copper, Gold)**

Project evaluation work advanced during the quarter targeting new copper opportunities in favourable parts of Eastern Europe, including Turkey and Serbia. An exploration property located in central Turkey hosting an undrilled, outcropping porphyry copper prospect, was optioned in the second quarter of 2014. Drill target definition work is planned for the third quarter of 2014.



## Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

The average metal price for copper for the second quarter of 2014 was 4% lower than the price for the previous quarter, though the price has actually increased during the second quarter from a low in March of \$3.02/lb to \$3.09/lb in June. The price of lead has remained stable for the first six months of 2014, while zinc and nickel prices were higher compared to the average prices for the first quarter of 2014 by 2% and 26%, respectively. The price of zinc remained strong during the quarter because of a weakening US dollar and falling exchange inventories of zinc. The improving fundamentals for zinc have in turn improved the sentiment for the metal and the appetite for risk amongst traders. The price of nickel continued to increase during the second quarter of 2014 due to the export ban of nickel ores from Indonesia which has reduced the production of nickel pig iron in China.

(Average LME Price)		Three months ended June 30,			Six months ended June 30,		
		2014	2013	Change	2014	2013	Change
Copper	US\$/pound	3.08	3.24	-5%	3.14	3.42	-8%
	US\$/tonne	6,787	7,148		6,916	7,540	
Zinc	US\$/pound	0.94	0.83	13%	0.93	0.88	6%
	US\$/tonne	2,073	1,840		2,051	1,937	
Lead	US\$/pound	0.95	0.93	2%	0.95	0.99	-4%
	US\$/tonne	2,096	2,053		2,101	2,177	
Nickel	US\$/pound	8.38	6.79	23%	7.49	7.32	2%
	US\$/tonne	18,465	14,963		16,523	16,138	

LME inventory for copper, zinc and lead continued to decrease during the second quarter of 2014 by 42%, 14% and 3% respectively, while the LME inventory for nickel increased by 7% during the quarter.

The treatment charges (“TC”) and refining charges (“RC”) in the spot market for copper concentrates decreased during the second quarter of 2014. In April, the spot TC was \$98 per dmt of concentrate and the spot RC was \$0.098 per lb of payable copper. However, they had decreased to a TC of \$90 per dmt of concentrates with a RC of \$0.09 per payable lb of copper contained in June. These terms reflect the market for clean copper concentrates bought by trading companies for blending with more complex qualities. During the quarter, the terms at which Chinese smelters have been purchasing were trading in a range of a TC of \$100-\$110 per dmt and a RC of \$0.10-\$0.11 per payable lb of copper contained. These terms are above the annual benchmark for 2014 of a TC of \$92 per dmt of concentrates with a RC of \$0.092 per lb payable copper.

The spot TC for zinc concentrates in China increased during the second quarter of 2014 from \$140 per dmt, flat, in April to \$155 per dmt, flat, in June. The increase in the LME price for zinc turned the arbitrage between the LME and the Shanghai Futures Exchange (“SHFE”) negative. As a result, Chinese zinc smelters require a higher spot TC as an incentive to import zinc concentrates.

Throughout the second quarter of 2014, the spot TC for lead concentrates in China has remained stable at \$140 per dmt, flat. Despite the negative arbitrage between the lead price on the LME and the lead price on the SHFE, imports of lead concentrates to China for the first six months of 2014 are up year-over-year due to poor domestic production of lead concentrates in China.

Given approval of Aguablanca’s underground mine project and the extension of the life of mine, the long term contract for the nickel concentrate production from Aguablanca has been extended at terms which are in line

with recent market conditions. The contract provides for regular monthly delivery and pricing of the concentrates which ensures that nickel realizations correlate closely with LME averages over the year.

During the second quarter of 2014, the Company continued the sales process for the nickel and copper concentrates from its Eagle project. Contracts have been concluded for the bulk of the expected nickel concentrate production as well as for all of the copper concentrate production.

## Liquidity and Financial Condition

### Cash Reserves

Cash and cash equivalents were \$142.0 million as at June 30, 2014, an increase of \$25.4 million from \$116.6 million at December 31, 2013 and an increase of \$39.8 million from \$102.2 million at March 31, 2014.

Cash inflows for the three months ended June 30, 2014 included proceeds from long-term debt of \$60.0 million, operating cash flows of \$33.7 million, receipt of distributions from Tenke (\$22.6 million) and Freeport Cobalt (\$7.2 million), and withdrawals from restricted funds of \$11.7 million. Use of cash was primarily directed towards investments in mineral properties, plant and equipment of \$99.3 million, most notably in support of the Eagle project.

For the six months ended June 30, 2014, cash inflows included proceeds from long-term debt of \$82.0 million, operating cash flows of \$61.2 million, receipt of distributions from Tenke (\$39.3 million) and Freeport Cobalt (\$7.2 million), and withdrawals from restricted funds of \$22.5 million. Use of cash was primarily directed towards investments in mineral properties, plant and equipment of \$191.7 million.

### Working Capital

Working capital was \$168.2 million as at June 30, 2014, compared to \$143.0 million at December 31, 2013 and \$128.3 million as at March 31, 2014. The increase in working capital, over both prior periods, is primarily the result of higher cash balances, increased ore and concentrate stockpiles, and an increase in trade receivables, partially offset by an increase in trade and other payables.

### Long-Term Debt

The Company has a \$350 million revolving credit facility and a term loan of \$250 million (together, the “credit facilities”), which expire in October 2017.

\$310.0 million was drawn on the credit facilities as at June 30, 2014. A letter of credit issued in the amount of SEK 80 million (\$11.9 million) also remains outstanding.

Subject to various risks and uncertainties (see Managing Risk section, page 28), the Company believes it will generate sufficient cash flow and has adequate cash and debt facilities to finance on-going operations and planned capital and exploration investment programs.

### Commitments

The company has the following capital commitments as at June 30, 2014:

2014	\$ 130,863
2015	2,041
<b>Total</b>	<b>\$ 132,904</b>

Included in the above are capital commitments of \$97.1 million to complete the Eagle project in 2014.

## Shareholders' Equity

Shareholders' equity was \$3,714.5 million at June 30, 2014, compared to \$3,669.6 million at December 31, 2013. The increase in shareholders' equity is primarily a reflection of current year's net earnings of \$53.1 million, partially offset by foreign currency translation adjustments of \$15.6 million in other comprehensive income.

## Sensitivities

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

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

Metal	Tonnes Payable	Provisional price on June 30, 2014 (\$US/tonne)	Change	Effect on pre-tax earnings (\$millions)
Copper	11,306	7,022	+/-10%	+/- \$7.9
Zinc	14,333	2,208	+/-10%	+/- \$3.2
Lead	7,595	2,134	+/-10%	+/- \$1.6
Nickel	1,843	19,023	+/-10%	+/- \$3.5

## Financial Instruments

Summary of financial instruments:

	Fair value at June 30, 2014 (\$000s)	Basis of measurement	Associated risks
Cash and cash equivalents	141,958	Carrying value	Credit/Exchange
Trade and other receivables	41,116	Carrying value	Credit/Market/Exchange
Trade receivables	79,185	FVTPL	Credit/Market/Exchange
Marketable securities and restricted funds	27,789	FVTPL	Market/Liquidity
Marketable securities	5,072	Fair value through OCI	Market/Liquidity
Restricted Funds	22,832	Carrying value	Credit/Exchange
Trade and other payables	151,047	Amortized cost	Interest
Long-term debt and finance leases	310,032	Amortized cost	Interest
Other long-term liabilities	3,189	Amortized cost	Interest

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

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

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

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

During the quarter ended June 30, 2014, the Company recognized increased sales of \$7.3 million (2013: decreased sales of \$8.3 million) on final settlement of provisionally priced transactions from the prior periods, a revaluation loss on FVTPL securities of \$4.3 million (2013: \$3.2 million), and no revaluation loss on AFS securities (2013: \$5.8 million). In addition, a foreign exchange loss of \$0.3 million (2013: \$8.4 million) was realized in the quarter on US\$-denominated cash and trade receivables that were held in the European group entities.

Over the six months ended June 30, 2014, the Company recognized decreased sales of \$2.1 million (2013: \$9.5 million) on final settlement of provisionally priced transactions from the prior year, a revaluation loss on FVTPL securities of \$3.4 million (2013: \$4.2 million) and no revaluation loss on AFS securities (2013: \$8.2 million). In addition, a foreign exchange loss of \$0.4 million (2013: \$7.1 million) was realized in the year on US\$-denominated cash and trade receivables that were held in the European group entities.

## Related Party Transactions

### Tenke Fungurume

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 quarter ended June 30, 2014, the Company made no cash advances to fund its portion of Tenke expenditures and received \$22.6 million in cash distributions. For the six months ended June 30, 2014, no cash advances were made by the Company to Tenke and cash distributions of \$39.3 million were received.

### Freeport Cobalt

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

The Company received \$7.2 million of cash distributions from Freeport Cobalt during the three and six months ended June 30, 2014.

### 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:

(\$ thousands)	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Wages and salaries	1,541	1,518	3,083	3,008
Pension and benefits	34	34	68	68
Share-based compensation	822	334	1,384	540
	<b>2,397</b>	1,886	<b>4,535</b>	3,616

For the three and six months ended June 30, 2014, the Company paid \$Nil and \$0.1 million, respectively, (Q2 2013 - \$0.1 million; year-to-date 2013 - \$0.1 million) for services provided by a company owned by the Chairman of the Company. The Company also paid \$0.2 million for the three months ended June 30, 2014 and \$0.4 million

year-to-date (Q2 2013 - \$0.2 million; year-to-date 2013 - \$0.4 million) to a charitable foundation directed by members of the Company's key management personnel to carry out social programs on behalf of the Company.

### **Changes in Accounting Policies**

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

*IFRIC 21, Accounting for Levies Imposed by Governments*, clarifies the obligating event giving rise to a liability to pay a levy. The obligating event is the activity described in the relevant legislation that triggers payment of the levy. This standard is effective for annual periods beginning on or after January 1, 2014. The Company has concluded there was no significant impact of adopting this standard.

### **Critical Accounting Estimates and Judgments**

The application of certain accounting policies requires the Company to make estimates and judgments based on assumptions. For a complete discussion of accounting estimates and judgments deemed most critical by the Company, refer to the Company's annual 2013 Management's Discussion and Analysis.

### **Managing Risks**

#### **Risks and Uncertainties**

The operations of Lundin Mining involve certain significant risks, including but not limited to credit risk, foreign exchange risk and derivative risk. For a complete discussion of the risks, refer to the Company's 2013 Annual Information Form, available on the SEDAR website, [www.sedar.com](http://www.sedar.com).

### **Outstanding Share Data**

As at July 30, 2014, the Company has 585,894,507 common shares issued and outstanding and 12,091,200 stock options outstanding under its incentive stock option plans.

### **Non-GAAP Performance Measures**

The Company uses certain performance measures in its analysis. These performance measures have no meaning within generally accepted accounting principles under IFRS and, therefore, amounts presented may not be comparable to similar data presented by other mining companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The following are non-GAAP measures that the Company uses as key performance indicators.

#### **Net Cash/Debt**

Net cash/debt is a performance measure used by the Company to assess its financial position. Net cash/debt is defined as cash, less long-term debt and finance leases, excluding deferred financing fees.

Net cash/debt can be reconciled to the Company's cash and long-term debt as follows:

(\$000s)	June 30, 2014	March 31, 2014	December 31, 2013
Current portion of long-term debt and finance leases	(2,911)	(3,220)	(3,341)
Long-term debt and finance leases	(307,121)	(247,219)	(225,435)
	<b>(310,032)</b>	(250,439)	(228,776)
Deferred financing fees	(6,356)	(6,787)	(7,182)
	<b>(316,388)</b>	(257,226)	(235,958)
Cash and cash equivalents	141,958	102,186	116,640
<b>Net debt</b>	<b>(174,430)</b>	<b>(155,040)</b>	<b>(119,318)</b>

### Operating Earnings

“Operating earnings” is a performance measure used by the Company to assess the contribution by mining operations to the Company’s net earnings or loss. Operating earnings is defined as sales, less operating costs (excluding depreciation) and general and administration expenses.

### Operating Cash Flow per Share

“Operating cash flow per share” is a performance measure used by the Company to assess its ability to generate cash from its operations, while also taking into consideration changes in the number of outstanding shares of the Company. Operating cash flow per share is defined as cash provided by operating activities, less changes in non-cash working capital items, divided by the basic weighted average number of shares outstanding.

Operating cash flow per share can be reconciled to the Company's cash provided by operating activities as follows:

(\$000s, except share and per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Cash provided by operating activities	33,682	26,603	61,170	72,360
Add: Changes in non-cash working capital items	20,161	(2,600)	23,324	6,086
Operating cash flow before changes in non-cash working capital items	53,843	24,003	84,494	78,446
Weighted average common shares outstanding	585,503,689	584,228,322	585,237,486	584,189,556
<b>Operating cash flow per share</b>	<b>0.09</b>	0.04	<b>0.14</b>	0.13

### 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 earnings potential and performance relative to its peers. 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.

- **Cash cost per pound, gross** - Total cash costs directly attributable to mining operations are divided by the sales volume of the primary metal to arrive at gross cash cost per pound. As this measure is not impacted by fluctuations in sales of by-product metals, it is generally more consistent across periods.
- **Cash cost per pound, net of by-products** – Credits for by-products sales are deducted from total cash costs directly attributable to mining operations. The net cash costs are divided by the sales volume of the primary metal to arrive at net cash cost per pound. The inclusion of by-product credits provides a broader economic measurement, incorporating the benefit of other metals extracted in the production of the primary metal.

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

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

	Three months ended June 30, 2014				Three months ended June 30, 2013			
	Total Tonnes Sold	Pounds (000s)	Cash Costs \$/lb	Operating Costs (\$000s)	Total Tonnes Sold	Pounds (000s)	Cash Costs \$/lb	Operating Costs (\$000s)
<b>Operation</b>								
Neves-Corvo (Cu)	11,009	24,271	1.62	39,319	14,102	31,090	1.85	57,517
Zinkgruvan (Zn)	15,109	33,310	0.17	5,663	16,960	37,390	0.43	16,078
Aguablanca (Ni) <sup>1</sup>	1,342	2,959	5.05	14,943	1,157	2,551	3.50	8,929
Galmoy (Zn) <sup>2</sup>				-				1,945
				59,925				84,469
Add: By-product credits				65,382				48,871
Treatment costs				(15,654)				(17,588)
Royalties and other				1,357				6,880
<b>Total Operating Costs</b>				<b>111,010</b>				<b>122,632</b>

	Six months ended June 30, 2014				Six months ended June 30, 2013			
	Total Tonnes Sold	Pounds (000s)	Cash Costs \$/lb	Operating Costs (\$000s)	Total Tonnes Sold	Pounds (000s)	Cash Costs \$/lb	Operating Costs (\$000s)
<b>Operation</b>								
Neves-Corvo (Cu)	21,344	47,055	1.85	87,052	27,728	61,130	1.84	112,479
Zinkgruvan (Zn)	31,458	69,353	0.31	21,499	29,507	65,052	0.43	27,972
Aguablanca (Ni) <sup>1</sup>	2,584	5,697	4.05	23,073	2,946	6,495	4.21	26,759
Galmoy (Zn) <sup>2</sup>				-				3,058
				131,624				170,268
Add: By-product credits				108,955				89,258
Treatment costs				(30,591)				(30,871)
Royalties and other				1,172				7,427
<b>Total Operating Costs</b>				<b>211,160</b>				<b>236,082</b>

1. 2013 cash costs includes an adjustment to account for the write-down of concentrate inventory to net realizable value in 2012.

2. Operating costs for Galmoy include shipment and processing of ore by an adjacent mine.

## **Management's Report on Internal Controls**

### ***Disclosure controls and procedures***

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

### ***Internal control over financial reporting***

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

### ***Control Framework***

Management has used the Internal Control - Integrated Framework (2013) from the Committee of Sponsoring Organizations of the Treadway Commission ('COSO') in order to assess the effectiveness of the Company's internal control over financial reporting as at December 31, 2013.

### ***Limitations on scope of design***

In the third quarter of 2013, the Company acquired the Eagle project. However, the Company has not had sufficient time to fully assess the design of DCP and ICFR inherent in this organization and accordingly has limited the scope of the above assessment on the design of DCP and ICFR to exclude the Eagle project.

### ***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 June 30, 2014, 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](http://www.sedar.com).



## Other Supplementary Information

### 1. *List of directors and officers at July 30, 2014:*

#### (a) **Directors:**

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

#### (b) **Officers:**

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

### 2. **Financial Information**

The report for the third quarter of 2014 is expected to be published by October 29, 2014.

### 3. **Other information**

Address (Corporate head office):

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

Address (UK office):

Lundin Mining UK Limited  
Hayworthe House, 2 Market Place  
Haywards Heath, West Sussex  
RH16 1DB  
United Kingdom  
Telephone: +44-1-444-411-900  
Fax: +44-1-444-456-901

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

#### **For further information, please contact:**

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Condensed Interim Consolidated Financial Statements of

# **Lundin Mining Corporation**

June 30, 2014  
(Unaudited)

**LUNDIN MINING CORPORATION**CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS  
(Unaudited - in thousands of US dollars)June 30,  
2014 December 31,  
2013**ASSETS**

## Current

Cash and cash equivalents (Note 3)	\$	141,958	\$	116,640
Trade and other receivables (Note 4)		120,301		114,196
Income taxes receivable		21,755		24,909
Inventories (Note 5)		67,184		44,651
		<b>351,198</b>		<b>300,396</b>

## Non-Current

Restricted funds		41,451		63,869
Marketable securities and other assets		18,360		21,617
Mineral properties, plant and equipment (Note 6)		1,907,905		1,784,868
Investment in associates (Note 7)		2,059,820		2,063,846
Deferred tax assets		21,971		24,031
Goodwill		171,710		173,383
		<b>4,221,217</b>		<b>4,131,614</b>
	\$	<b>4,572,415</b>	\$	<b>4,432,010</b>

**LIABILITIES**

## Current

Trade and other payables (Note 9)	\$	181,167	\$	155,500
Income taxes payable		1,855		1,903
Current portion of deferred revenue		4,479		4,849
Current portion of long-term debt and finance leases (Note 10)		2,911		3,341
Current portion of reclamation and other closure provisions		9,353		8,712
		<b>199,765</b>		<b>174,305</b>

## Non-Current

Deferred revenue		52,084		56,163
Long-term debt and finance leases (Note 10)		307,121		225,435
Reclamation and other closure provisions		146,436		142,958
Other long-term liabilities		3,189		3,234
Provision for pension obligations		19,420		20,752
Deferred tax liabilities		129,854		139,558
		<b>658,104</b>		<b>588,100</b>
		<b>857,869</b>		<b>762,405</b>

**SHAREHOLDERS' EQUITY**

Share capital		3,515,679		3,509,343
Contributed surplus		41,492		40,379
Accumulated other comprehensive loss		(43,193)		(27,620)
Retained earnings		200,568		147,503
		<b>3,714,546</b>		<b>3,669,605</b>
	\$	<b>4,572,415</b>	\$	<b>4,432,010</b>

Commitments (Note 17)

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

**APPROVED BY THE BOARD OF DIRECTORS**(Signed) Lukas H. Lundin  
Director(Signed) Dale C. Peniuk  
Director

**LUNDIN MINING CORPORATION**

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

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

	Three months ended		Six months ended	
	June 30		June 30	
	2014	2013	2014	2013
Sales	\$ 191,763	\$ 176,273	\$ 341,666	\$ 364,446
Operating costs (Note 12)	(111,010)	(122,632)	(211,160)	(236,082)
Depreciation, depletion and amortization (Note 6)	(36,888)	(36,066)	(74,641)	(76,300)
General and administrative expenses	(6,512)	(4,468)	(13,159)	(11,140)
General exploration and business development (Note 14)	(14,249)	(10,652)	(25,831)	(23,221)
Income from equity investment in associates (Note 7)	24,463	16,777	42,544	48,660
Finance income (Note 15)	697	728	1,325	1,324
Finance costs (Note 15)	(5,971)	(4,634)	(6,931)	(7,458)
Other income (Note 16)	972	401	1,266	15,930
Other expenses (Note 16)	(3,406)	(10,260)	(3,619)	(9,888)
Earnings before income taxes	39,859	5,467	51,460	66,271
Current tax expense (Note 8)	(2,924)	(4,529)	(4,330)	(14,126)
Deferred tax recovery (Note 8)	2,783	15,626	5,935	14,474
Net earnings	\$ 39,718	\$ 16,564	\$ 53,065	\$ 66,619
Basic and diluted earnings per share	\$ 0.07	\$ 0.03	\$ 0.09	\$ 0.11
Weighted average number of shares outstanding (Note 11)				
Basic	585,503,689	584,228,322	585,237,486	584,189,556
Diluted	586,861,944	584,522,798	586,340,303	584,899,000

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

## LUNDIN MINING CORPORATION

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited - in thousands of US dollars)

	Three months ended		Six months ended	
	June 30		June 30	
	2014	2013	2014	2013
Net earnings	\$ 39,718	\$ 16,564	\$ 53,065	\$ 66,619
<b>Other comprehensive (loss) income, net of taxes</b>				
Items that may be reclassified subsequently to net earnings:				
Unrealized loss on marketable securities	-	(5,770)	-	(8,241)
Effects of foreign exchange	(15,320)	21,663	(15,573)	(8,351)
<b>Other comprehensive (loss) income</b>	<b>(15,320)</b>	<b>15,893</b>	<b>(15,573)</b>	<b>(16,592)</b>
<b>Comprehensive income</b>	<b>\$ 24,398</b>	<b>\$ 32,457</b>	<b>\$ 37,492</b>	<b>\$ 50,027</b>

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited - in thousands of US dollars, except for shares)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total
Balance, December 31, 2013	584,643,063	\$ 3,509,343	\$ 40,379	\$ (27,620)	\$ 147,503	\$ 3,669,605
Net earnings	-	-	-	-	53,065	53,065
Other comprehensive loss	-	-	-	(15,573)	-	(15,573)
Total comprehensive income	-	-	-	(15,573)	53,065	37,492
Exercise of stock options	1,164,778	6,336	(2,091)	-	-	4,245
Share-based compensation	-	-	3,204	-	-	3,204
<b>Balance, June 30, 2014</b>	<b>585,807,841</b>	<b>\$ 3,515,679</b>	<b>\$ 41,492</b>	<b>\$ (43,193)</b>	<b>\$ 200,568</b>	<b>\$ 3,714,546</b>
Balance, December 31, 2012	584,005,006	\$ 3,505,398	\$ 34,140	\$ (77,213)	\$ 10,754	\$ 3,473,079
Net earnings	-	-	-	-	66,619	66,619
Other comprehensive loss	-	-	-	(16,592)	-	(16,592)
Total comprehensive income	-	-	-	(16,592)	66,619	50,027
Exercise of stock options	186,667	1,112	(375)	-	-	737
Share issuance	50,000	261	-	-	-	261
Share-based compensation	-	-	3,520	-	-	3,520
Balance, June 30, 2013	584,241,673	\$ 3,506,771	\$ 37,285	\$ (93,805)	\$ 77,373	\$ 3,527,624

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

## LUNDIN MINING CORPORATION

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited - in thousands of US dollars)

	Three months ended		Six months ended	
	June 30		June 30	
	2014	2013	2014	2013
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Net earnings	\$ 39,718	\$ 16,564	\$ 53,065	\$ 66,619
Items not involving cash				
Depreciation, depletion and amortization	36,888	36,066	74,641	76,300
Share-based compensation	1,912	1,422	3,737	3,090
Income from equity investment in associates	(24,463)	(16,777)	(42,544)	(48,660)
Foreign exchange loss	1,273	5,805	2,411	1,443
Deferred tax recovery	(2,783)	(15,626)	(5,935)	(14,474)
Recognition of deferred revenue	(1,535)	(6,189)	(2,777)	(9,009)
Finance income and costs	5,016	3,645	5,003	5,402
Other	(244)	1,233	527	1,967
Reclamation payments	(1,550)	(1,726)	(2,824)	(3,411)
Pension payments	(389)	(414)	(810)	(821)
Changes in non-cash working capital items (Note 21)	(20,161)	2,600	(23,324)	(6,086)
	<b>33,682</b>	<b>26,603</b>	<b>61,170</b>	<b>72,360</b>
<b>Investing activities</b>				
Investment in mineral properties, plant and equipment	(99,344)	(36,989)	(191,740)	(73,630)
Acquisition of Freeport Cobalt (Note 7)	-	-	-	(116,253)
Distributions from associates (Note 7)	29,860	28,317	46,570	73,317
Restricted funds withdrawal (contribution), net	11,735	(8)	22,535	(6,719)
Other	472	(2,244)	525	(1,306)
	<b>(57,277)</b>	<b>(10,924)</b>	<b>(122,110)</b>	<b>(124,591)</b>
<b>Financing activities</b>				
Common shares issued	2,275	133	4,245	737
Proceeds from long-term debt	60,000	-	82,000	85,000
Long-term debt repayments	(394)	(85,486)	(1,138)	(85,983)
Other	(105)	(123)	(194)	(123)
	<b>61,776</b>	<b>(85,476)</b>	<b>84,913</b>	<b>(369)</b>
Effect of foreign exchange on cash balances	1,591	7,614	1,345	7,462
Increase (decrease) in cash and cash equivalents during the period	39,772	(62,183)	25,318	(45,138)
Cash and cash equivalents, beginning of period	102,186	292,149	116,640	275,104
Cash and cash equivalents, end of period	\$ 141,958	\$ 229,966	\$ 141,958	\$ 229,966

Supplemental cash flow information (Note 21)

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

# LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2014 and 2013

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

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## 1. NATURE OF OPERATIONS

Lundin Mining Corporation (the "Company") is a diversified Canadian base metals mining company. The Company's wholly-owned operating assets include the Neves-Corvo copper/zinc mine located in Portugal, the Zinkgruvan zinc/lead mine located in Sweden, and the Aguablanca nickel/copper mine located in Spain. The Company also owns the high grade nickel/copper Eagle project in the United States ("US"), and 24% equity accounted interests in the Tenke Fungurume copper/cobalt mine located in the Democratic Republic of Congo ("DRC") and the Freeport Cobalt Oy business ("Freeport Cobalt"), which includes a cobalt refinery located in Kokkola, Finland.

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

## 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

### (i) Basis of presentation and measurement

The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook - Accounting including IAS 34 *Interim financial reporting*. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2013.

The Company's presentation currency is US dollars. Reference herein of \$ is to US dollars. Reference of C\$ is to Canadian dollars, reference of SEK is to Swedish Krona and € refers to the Euro.

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on July 30, 2014.

### (ii) Critical accounting estimates and judgments

Areas of judgment that have the most significant effect on the amounts recognized in the financial statements are disclosed in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2013.

### (iii) Accounting principles

The accounting policies followed in these condensed interim financial statements are consistent with those disclosed in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2013, except as described below.

#### *Changes in Accounting Policies*

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

*IFRIC 21, Accounting for Levies Imposed by Governments*, clarifies the obligating event giving rise to a liability to pay a levy. This obligating event is the activity described in the relevant legislation that triggers

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2014 and 2013

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

payment of the levy. This standard is effective for annual periods beginning on or after January 1, 2014. The Company has concluded there was no significant impact of adopting this standard.

### (iv) New accounting pronouncements

The final version of IFRS 9, *Financial Instruments*, was issued by the IASB in July 2014 and will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a model for classification and measurement, a single, forward-looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit and loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. The Company is yet to assess the full impact of IFRS 9 and has not yet determined when it will adopt the new standard.

### 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	June 30, 2014	December 31, 2013
Cash	\$ 106,921	\$ 116,603
Short-term deposits	35,037	37
	\$ 141,958	\$ 116,640

### 4. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

	June 30, 2014	December 31, 2013
Trade receivables	\$ 97,966	\$ 85,435
Value added tax	9,130	15,432
Other receivables	6,766	9,246
Prepaid expenses	6,439	4,083
	\$ 120,301	\$ 114,196



## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2014 and 2013

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

### 5. INVENTORIES

Inventories are comprised of the following:

	June 30, 2014	December 31, 2013
Ore stockpiles	\$ 14,680	\$ 12,227
Concentrate stockpiles	33,028	14,470
Materials and supplies	19,476	17,954
	<b>\$ 67,184</b>	<b>\$ 44,651</b>

### 6. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Mineral properties, plant and equipment are comprised of the following:

Cost	Mineral properties	Plant and equipment	Exploration properties	Assets under construction	Total
As at December 31, 2012	\$ 1,646,431	\$ 654,878	\$ 60,590	\$ 20,420	\$ 2,382,319
Additions	33,281	368	501	30,638	64,788
Disposals and transfers	1,295	9,018	(721)	(11,556)	(1,964)
Effects of foreign exchange	(24,513)	(8,477)	(581)	(340)	(33,911)
As at June 30, 2013	1,656,494	655,787	59,789	39,162	2,411,232
Acquisition of Eagle project	10,369	15,397	-	316,063	341,829
Additions	30,479	3,070	-	178,636	212,185
Disposals and transfers	596	48,855	-	(61,260)	(11,809)
Effects of foreign exchange	81,066	35,358	3,441	2,214	122,079
As at December 31, 2013	1,779,004	758,467	63,230	474,815	3,075,516
Additions	31,596	580	-	184,919	217,095
Disposals and transfers	5,752	10,124	(501)	(19,229)	(3,854)
Effects of foreign exchange	(29,387)	(11,240)	(825)	(598)	(42,050)
<b>As at June 30, 2014</b>	<b>\$ 1,786,965</b>	<b>\$ 757,931</b>	<b>\$ 61,904</b>	<b>\$ 639,907</b>	<b>\$ 3,246,707</b>

Accumulated depreciation, depletion and amortization	Mineral properties	Plant and equipment	Exploration properties	Assets under construction	Total
As at December 31, 2012	\$ 831,694	\$ 279,812	\$ -	\$ -	\$ 1,111,506
Depreciation	54,813	21,487	-	-	76,300
Disposals and transfers	-	(1,430)	-	-	(1,430)
Effects of foreign exchange	(14,309)	(3,731)	-	-	(18,040)
As at June 30, 2013	872,198	296,138	-	-	1,168,336
Depreciation	49,009	22,840	-	-	71,849
Disposals and transfers	(2,810)	(6,894)	-	-	(9,704)
Effects of foreign exchange	42,959	17,208	-	-	60,167
As at December 31, 2013	961,356	329,292	-	-	1,290,648
Depreciation	47,286	27,355	-	-	74,641
Disposals and transfers	-	(3,188)	-	-	(3,188)
Effects of foreign exchange	(17,948)	(5,351)	-	-	(23,299)
<b>As at June 30, 2014</b>	<b>\$ 990,694</b>	<b>\$ 348,108</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,338,802</b>

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2014 and 2013

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

Net book value	Mineral properties	Plant and equipment	Exploration properties	Assets under construction	Total
As at December 31, 2013	\$ 817,648	\$ 429,175	\$ 63,230	\$ 474,815	\$ 1,784,868
<b>As at June 30, 2014</b>	<b>\$ 796,271</b>	<b>\$ 409,823</b>	<b>\$ 61,904</b>	<b>\$ 639,907</b>	<b>\$ 1,907,905</b>

During the six months ended June 30, 2014, the Company capitalized \$4.1 million of borrowing costs related to the Eagle project.

Depreciation, depletion and amortization is comprised of:

	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Operating costs	\$ 36,796	\$ 35,988	\$ 74,461	\$ 76,141
General and administrative expenses	92	78	180	159
Depreciation, depletion and amortization	\$ 36,888	\$ 36,066	\$ 74,641	\$ 76,300

## 7. INVESTMENT IN ASSOCIATES

	Tenke	Freeport	Total
	Fungurume	Cobalt	
As at December 31, 2012	\$ 2,003,053	\$ -	\$ 2,003,053
Acquisition	-	116,253	116,253
Distributions	(72,300)	(1,017)	(73,317)
Share of equity income (loss)	51,159	(2,499)	48,660
As at June 30, 2013	1,981,912	112,737	2,094,649
Distributions	(69,510)	(6,600)	(76,110)
Share of equity income (loss)	46,610	(1,303)	45,307
As at December 31, 2013	1,959,012	104,834	2,063,846
Distributions	(39,328)	(7,242)	(46,570)
Share of equity income (loss)	43,840	(1,296)	42,544
<b>As at June 30, 2014</b>	<b>\$ 1,963,524</b>	<b>\$ 96,296</b>	<b>\$ 2,059,820</b>

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

	June 30, 2014	December 31, 2013
Total current assets	\$ 761,407	\$ 648,488
Total non-current assets	\$ 2,969,044	\$ 2,937,118
Total current liabilities	\$ 137,687	\$ 99,144
Total non-current liabilities	\$ 478,802	\$ 559,085

	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Total sales	\$ 425,756	\$ 370,850	\$ 758,867	\$ 817,248
Total earnings	\$ 103,619	\$ 79,509	\$ 188,087	\$ 201,040

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2014 and 2013

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

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### 8. INCOME TAXES

Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

### 9. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

	June 30, 2014	December 31, 2013
Trade payables	\$ 118,942	\$ 101,147
Unbilled goods and services	21,264	16,328
Payroll obligations	30,118	27,886
Royalty payable	10,843	10,139
	<u>\$ 181,167</u>	<u>\$ 155,500</u>

### 10. LONG-TERM DEBT AND FINANCE LEASES

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

	June 30, 2014	December 31, 2013
Credit facilities	\$ 303,644	\$ 220,818
Finance lease obligations	3,709	5,267
Other	2,679	2,691
	<u>310,032</u>	<u>228,776</u>
Less: current portion	<u>2,911</u>	<u>3,341</u>
	<u>\$ 307,121</u>	<u>\$ 225,435</u>

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2014 and 2013

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

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

As at December 31, 2012	\$	10,022
Additions		85,000
Payments		(85,990)
Other		337
Effects of foreign exchange		(504)
As at June 30, 2013		8,865
Additions		221,972
Payments		(1,500)
Other		591
Effects of foreign exchange		(1,152)
As at December 31, 2013		228,776
Additions		82,000
Payments		(1,420)
Other		836
Effects of foreign exchange		(160)
<b>As at June 30, 2014</b>	<b>\$</b>	<b>310,032</b>

### 11. SHARE CAPITAL

#### (a) Restricted share units

On May 9, 2014, the Company adopted a new Share Unit Plan (the "SU Plan"). The SU Plan provides for share unit awards (the "SUs") to be granted by the Board of Directors to the officers and certain employees of the Company. The maximum number of shares available for issuance under the plan is 6,000,000.

An SU is a unit representing the right to receive one Common Share (subject to adjustments) issued from treasury.

The number of SUs awarded will be determined based on the market price on the date of grant. The market price shall be calculated at the closing market price on the Toronto Stock Exchange of the Common Shares on the date of the grant. The vesting requirements for the SUs include the passage of a specified time period, as well as continued employment.

#### (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 plan was adopted on May 9, 2014. The term of any options granted are approved by the Board of Directors and may not exceed five years from the date of grant. The total number of options that are issuable under the plan is 30,000,000. The vesting requirements for the options include the passage of a specified time period, as well as continued employment.

#### (c) Diluted weighted average number of shares

The total incremental shares added to the basic weighted average number of common shares outstanding to arrive at the fully diluted number of shares is comprised of 1,358,255 shares for the three months ended June 30, 2014 (2013 - 294,476 shares) and 1,102,817 shares for the six months ended June 30, 2014 (2013 - 709,444 shares). The incremental shares relate to in-the-money outstanding stock options.

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2014 and 2013

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

### 12. OPERATING COSTS

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

	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Direct mine and mill costs	\$ 101,827	\$ 115,076	\$ 194,458	\$ 219,975
Transportation	6,984	6,029	13,210	11,544
Royalties	2,199	1,527	3,492	4,563
	111,010	122,632	211,160	236,082
Depreciation, depletion and amortization (Note 6)	36,796	35,988	74,461	76,141
Total operating costs	\$ 147,806	\$ 158,620	\$ 285,621	\$ 312,223

### 13. EMPLOYEE BENEFITS

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

	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Operating costs				
Wages and benefits	\$ 33,305	\$ 27,315	\$ 64,515	\$ 56,525
Pension benefits	417	414	846	821
Share-based compensation	629	556	1,392	1,287
	34,351	28,285	66,753	58,633
General and administrative expenses				
Wages and benefits	2,717	1,521	5,679	4,208
Pension benefits	131	109	262	194
Share-based compensation	1,246	820	2,269	1,711
	4,094	2,450	8,210	6,113
General exploration and business development				
Wages and benefits	1,641	1,132	3,730	2,458
Pension benefits	12	12	24	25
Share-based compensation	37	46	76	92
	1,690	1,190	3,830	2,575
Total employee benefits	\$ 40,135	\$ 31,925	\$ 78,793	\$ 67,321

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2014 and 2013

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

### 14. GENERAL EXPLORATION AND BUSINESS DEVELOPMENT

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

	Three months ended		Six months ended	
	June 30		June 30	
	2014	2013	2014	2013
General exploration	\$ 7,666	\$ 9,390	\$ 15,732	\$ 17,340
Corporate development	3,293	54	3,388	573
Project development	3,290	1,208	6,711	5,308
	\$ 14,249	\$ 10,652	\$ 25,831	\$ 23,221

Project development expenses include pre-feasibility costs and indirect costs for the Eagle project. In 2013, these costs also included expenditures to develop an exploration ramp at the Neves-Corvo mine.

### 15. FINANCE INCOME AND COSTS

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

	Three months ended		Six months ended	
	June 30		June 30	
	2014	2013	2014	2013
Interest income	\$ 315	\$ 447	\$ 709	\$ 923
Interest expense and bank fees	(1,097)	(891)	(2,344)	(2,015)
Accretion expense on reclamation provisions	(600)	(538)	(1,201)	(1,288)
Unrealized loss on revaluation of marketable securities	(4,274)	(3,205)	(3,386)	(4,155)
Other	382	281	616	401
<b>Total finance costs, net</b>	<b>\$ (5,274)</b>	<b>\$ (3,906)</b>	<b>\$ (5,606)</b>	<b>\$ (6,134)</b>

  

Finance income	\$ 697	\$ 728	\$ 1,325	\$ 1,324
Finance costs	(5,971)	(4,634)	(6,931)	(7,458)
<b>Total finance costs, net</b>	<b>\$ (5,274)</b>	<b>\$ (3,906)</b>	<b>\$ (5,606)</b>	<b>\$ (6,134)</b>

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and six months ended June 30, 2014 and 2013

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

### 16. OTHER INCOME AND EXPENSES

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

	Three months ended		Six months ended	
	June 30		June 30	
	2014	2013	2014	2013
Foreign exchange loss	\$ (329)	\$ (8,428)	\$ (358)	\$ (7,077)
Other income	972	401	1,266	15,930
Other expenses	(3,077)	(1,832)	(3,261)	(2,811)
<b>Total other expenses, net</b>	<b>\$ (2,434)</b>	<b>\$ (9,859)</b>	<b>\$ (2,353)</b>	<b>\$ 6,042</b>

  

Other income	\$ 972	\$ 401	\$ 1,266	\$ 15,930
Other expenses	(3,406)	(10,260)	(3,619)	(9,888)
<b>Total other expenses, net</b>	<b>\$ (2,434)</b>	<b>\$ (9,859)</b>	<b>\$ (2,353)</b>	<b>\$ 6,042</b>

During the six months ended June 30, 2013, the Company recorded \$15.1 million in other income related to insurance proceeds for business interruption at the Aguablanca mine from a ramp failure which occurred in late-2010.

### 17. COMMITMENTS

The Company has the following capital commitments as at June 30, 2014:

2014	\$ 130,863
2015	2,041
<b>Total</b>	<b>\$ 132,904</b>

Included in the above are capital commitments of \$97.1 million to complete the Eagle project in 2014.

### 18. SEGMENTED INFORMATION

The Company is engaged in mining, exploration and development of mineral properties, primarily in Portugal, Spain, Sweden, USA and the DRC. The segments presented reflect the way in which the Company's management reviews its business performance. Operating segments are reported in a manner consistent with the internal reporting provided to executive management who act as the chief operating decision-maker. Executive management is responsible for allocating resources and assessing performance of the operating segments. Galmoy mine is grouped in the other segment. Prior year comparatives have been reclassified accordingly.

# LUNDIN MINING CORPORATION

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For the three and six months ended June 30, 2014 and 2013

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

## For the three months ended June 30, 2014

	Neves-Corvo		Zinkgruvan		Aguablanca		Eagle		Tenke		Other	Total
	Portugal	Sweden	Spain	USA	DRC							
Sales	\$ 97,361	\$ 55,144	\$ 39,258	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 191,763
Operating costs	(58,326)	(27,845)	(24,141)	-	-	-	-	-	-	(698)	-	(111,010)
General and administrative expenses	-	-	-	-	-	-	-	-	-	(6,512)	-	(6,512)
Operating earnings (loss) *	39,035	27,299	15,117	-	-	-	-	-	-	(7,210)	-	74,241
Depreciation, depletion and amortization	(26,733)	(7,897)	(1,057)	(1,094)	-	-	-	-	-	(107)	-	(36,888)
General exploration and business development	(1,174)	(2,348)	-	(4,916)	-	-	-	-	-	(5,811)	-	(14,249)
Income (loss) from equity investment in associates	-	-	-	-	-	24,853	-	-	-	(390)	-	24,463
Finance income and costs, net	(110)	70	(52)	-	-	-	-	-	-	(5,182)	-	(5,274)
Other income and expenses, net	1,474	955	176	(35)	-	-	-	-	-	(5,004)	-	(2,434)
Income tax recovery (expense)	2,316	(3,843)	(3,808)	3,153	-	-	-	-	-	2,041	-	(141)
Net earnings (loss)	\$ 14,808	\$ 14,236	\$ 10,376	\$ (2,892)	\$ 24,853	\$ (21,663)	\$ 39,718					
Capital expenditures	\$ 17,509	\$ 7,745	\$ 1,917	\$ 72,144	\$ -	\$ 29	\$ 99,344					

## For the six months ended June 30, 2014

	Neves-Corvo		Zinkgruvan		Aguablanca		Eagle		Tenke		Other	Total
	Portugal	Sweden	Spain	USA	DRC							
Sales	\$ 173,633	\$ 98,222	\$ 68,547	\$ -	\$ -	\$ 1,264	\$ 341,666					
Operating costs	(114,619)	(54,384)	(40,420)	-	-	(1,737)	(211,160)					
General and administrative expenses	-	-	-	-	-	(13,159)	(13,159)					
Operating earnings (loss) *	59,014	43,838	28,127	-	-	(13,632)	117,347					
Depreciation, depletion and amortization	(53,522)	(14,889)	(4,020)	(1,999)	-	(211)	(74,641)					
General exploration and business development	(4,275)	(4,403)	-	(8,641)	-	(8,512)	(25,831)					
Income (loss) from equity investment in associates	-	-	-	-	43,840	(1,296)	42,544					
Finance income and costs, net	(347)	236	(118)	-	-	(5,377)	(5,606)					
Other income and expenses, net	1,382	1,197	174	(35)	-	(5,071)	(2,353)					
Income tax recovery (expense)	5,766	(5,460)	(6,540)	5,642	-	2,197	1,605					
Net earnings (loss)	\$ 8,018	\$ 20,519	\$ 17,623	\$ (5,033)	\$ 43,840	\$ (31,902)	\$ 53,065					
Capital expenditures	\$ 36,434	\$ 12,883	\$ 6,597	\$ 135,624	\$ -	\$ 202	\$ 191,740					

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



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### For the three months ended June 30, 2013

	Neves-Corvo		Zinkgruvan		Aguablanca		Tenke		Other	Total
	Portugal	Sweden	Spain	DRC	Fungurume	DRC				
Sales	\$ 104,407	\$ 44,811	\$ 19,787	\$ -	\$ -	\$ -	\$ -	\$ 7,268	\$ 176,273	
Operating costs	(69,069)	(31,147)	(19,000)	-	-	-	-	(3,416)	(122,632)	
General and administrative expenses	-	-	-	-	-	-	-	(4,468)	(4,468)	
Operating earnings (loss) *	35,338	13,664	787	-	-	-	-	(616)	49,173	
Depreciation, depletion and amortization	(25,131)	(6,593)	(4,245)	-	-	-	-	(97)	(36,066)	
General exploration and business development	(5,802)	(1,953)	(323)	-	-	-	-	(2,574)	(10,652)	
Income (loss) from equity investment in associates	-	-	-	19,276	-	-	-	(2,499)	16,777	
Finance income and costs, net	94	(100)	28	-	-	-	-	(3,928)	(3,906)	
Other income and expenses, net	(2,701)	1,917	(1,298)	-	-	-	-	(7,777)	(9,859)	
Income tax recovery (expense)	789	(1,391)	8,892	-	-	-	-	2,807	11,097	
Net earnings (loss)	\$ 2,587	\$ 5,544	\$ 3,841	\$ 19,276	\$ -	\$ -	\$ -	\$ (14,684)	\$ 16,564	
Capital expenditures	\$ 22,532	\$ 7,308	\$ 7,001	\$ -	\$ -	\$ -	\$ -	\$ 148	\$ 36,989	

### For the six months ended June 30, 2013

	Neves-Corvo		Zinkgruvan		Aguablanca		Tenke		Other	Total
	Portugal	Sweden	Spain	DRC	Fungurume	DRC				
Sales	\$ 212,414	\$ 80,673	\$ 62,587	\$ -	\$ -	\$ -	\$ -	\$ 8,772	\$ 364,446	
Operating costs	(129,218)	(52,639)	(48,954)	-	-	-	-	(5,271)	(236,082)	
General and administrative expenses	-	-	-	-	-	-	-	(11,140)	(11,140)	
Operating earnings (loss) *	83,196	28,034	13,633	-	-	-	-	(7,639)	117,224	
Depreciation, depletion and amortization	(50,565)	(13,407)	(12,132)	-	-	-	-	(196)	(76,300)	
General exploration and business development	(12,104)	(5,027)	(708)	-	-	-	-	(5,382)	(23,221)	
Income (loss) from equity investment in associates	-	-	-	51,159	-	-	-	(2,499)	48,660	
Finance income and costs, net	(144)	(161)	(110)	-	-	-	-	(5,719)	(6,134)	
Other income and expenses, net	673	1,422	14,305	-	-	-	-	(10,358)	6,042	
Income tax (expense) recovery	(4,497)	(2,027)	4,415	-	-	-	-	2,457	348	
Net earnings (loss)	\$ 16,559	\$ 8,834	\$ 19,403	\$ 51,159	\$ -	\$ -	\$ -	\$ (29,336)	\$ 66,619	
Capital expenditures	\$ 49,404	\$ 14,787	\$ 9,155	\$ -	\$ -	\$ -	\$ -	\$ 284	\$ 73,630	

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

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

	Three months ended		Six months ended	
	June 30		June 30	
	2014	2013	2014	2013
Copper	\$ 81,275	\$ 94,029	\$ 149,080	\$ 203,611
Zinc	48,277	44,822	87,865	75,379
Lead	22,703	16,982	36,567	26,380
Nickel	30,521	12,457	52,313	42,636
Other	8,987	7,983	15,841	16,440
	\$ 191,763	\$ 176,273	\$ 341,666	\$ 364,446

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

	Three months ended		Six months ended	
	June 30		June 30	
	2014	2013	2014	2013
Europe	\$ 150,733	\$ 157,792	\$ 272,583	\$ 281,217
South America	56	(2,472)	(2,780)	19,476
Asia	40,974	20,953	71,863	63,753
	\$ 191,763	\$ 176,273	\$ 341,666	\$ 364,446

## 19. RELATED PARTY TRANSACTIONS

- a) **Transactions with associates** - The Company enters into transactions related to its investment in associates. These transactions are entered into in the normal course of business and on an arm's length basis (Note 7).
- b) **Key management personnel** - The Company has identified its directors and certain senior officers as its key management personnel. The employee benefits for key management personnel are as follows:

	Three months ended		Six months ended	
	June 30		June 30	
	2014	2013	2014	2013
Wages and salaries	\$ 1,541	\$ 1,518	\$ 3,083	\$ 3,008
Pension benefits	34	34	68	68
Share-based compensation	822	334	1,384	540
	\$ 2,397	\$ 1,886	\$ 4,535	\$ 3,616

- c) **Other related parties** - During the six months ended June 30, 2014, the Company paid \$0.1 million (2013 - \$0.1 million) for services provided by a company owned by the Chairman of the Company. The Company also paid \$0.4 million for the six months ended June 30, 2014 (2013 - \$0.4 million) to a charitable foundation directed by members of the Company's key management personnel to carry out social programs on behalf of the Company.

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### 20. 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 June 30, 2014 and December 31, 2013:

	Level	June 30, 2014		December 31, 2013	
		Carrying value	Fair value	Carrying value	Fair value
<b>Financial assets</b>					
Fair value through profit or loss					
Trade receivables	2	\$ 79,185	\$ 79,185	\$ 62,945	\$ 62,945
Marketable securities - shares	1	9,155	9,155	7,406	7,406
Marketable securities - warrants	2	15	15	12	12
Restricted funds - shares	1	18,619	18,619	18,183	18,183
		\$ 106,974	\$ 106,974	\$ 88,546	\$ 88,546
Available for sale					
Marketable securities - shares	1	\$ 5,069	\$ 5,069	\$ 9,778	\$ 9,778
Marketable securities - warrants	2	3	3	151	151
		\$ 5,072	\$ 5,072	\$ 9,929	\$ 9,929
<b>Financial liabilities</b>					
Amortized cost					
Long-term debt and finance leases	2	\$ 310,032	\$ 310,032	\$ 228,776	\$ 228,776
Other long-term liabilities	2	3,189	3,189	3,234	3,234
		\$ 313,221	\$ 313,221	\$ 232,010	\$ 232,010

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

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

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

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

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

Trade receivables – The fair value of the embedded derivatives on provisional sales are valued using quoted market prices based on the forward London Metals Exchange price. The Company recognized positive pricing adjustments of \$2.4 million in sales during the six months ended June 30, 2014 (2013 - \$22.1 million negative price adjustment).

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

Long-term debt and other long-term liabilities – The fair value of the Company's long-term debt approximates

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its carrying value as the interest rates are comparable to current market rates.

The carrying values of certain financial instruments maturing in the short-term approximate their fair values. These financial instruments include cash and cash equivalents, trade and other receivables, restricted funds, which are classified as loans and receivables, and trade and other payables which are classified as amortized cost.

### 21. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Changes in non-cash working capital items consist of:				
Trade receivable, inventories and other current assets	\$ (27,805)	\$ (5,313)	\$ (28,663)	\$ (9,412)
Trade payable and other current liabilities	7,644	7,913	5,339	3,326
	\$ (20,161)	\$ 2,600	\$ (23,324)	\$ (6,086)

Operating and investing activities included the following cash payments:

Interest received	\$ 315	\$ 447	\$ 709	\$ 923
Interest paid	\$ 2,544	\$ 553	\$ 5,000	\$ 1,176
Income taxes paid	\$ 453	\$ 9,442	\$ 1,965	\$ 11,457